



# 3rd INTERNATIONAL SILK ROAD SYMPOSIUM

“The Black Sea Region Countries  
and  
Prospective Relationships With European Union”

27-28-29 October, 2006 Tbilisi / GEORGIA



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## **Preface**

Dear Colleagues,

We welcome you at the 3<sup>rd</sup> International Silk Road Symposium -The Black Sea Region Countries and Prospective Relationships with the European Union. We highly appreciate your participation in the event and the contribution to the work of the symposium. Your input is highly valuable for the continuous discussions over the Black Sea Regional problems and challenges. We strongly believe that the information exchange between the event participants will be a value added step in terms of further cooperation on the Black Sea Region issues. We wish you fruitful work and enjoyable stay in Georgia.

**Organizing Committee**



## **PRESIDENT OF GEORGIA**

### **Address to the Third International Silk Road Symposium**

It is my pleasure to welcome the growing depth of relations between Georgia and the European Union, exemplified by the Action Plan of the European Neighborhood Policy. Not long ago, the European Union was something distant and abstract for most Georgians. Today however, we live in very different times and in a very different Georgia.

Following our Rose Revolution three year ago, Georgia returned to the path of reunification with our European family - a family with strong and broad historical links. In Georgia today, many higher education institutions have started teaching classes about the European Union, non-governmental organizations and European studies centers take part in conferences, publishing and disseminate knowledge about the European Union. Taken together, this has resulted in a tangible advancement in public awareness about the benefits of greater European integration - something that is good for Georgia and the Member States of the EU.

It is difficult to understate the importance of these developments for our country, as Georgians should be aware of the developments in the EU because in today's world, everything that takes place in Europe has implications for us as well.

Just recently the European Commission recommended that Romania and Bulgaria become members of the Union in 2007. This is excellent news because soon we will have maritime borders with the EU, creating even stronger linkages. We also support Turkey's European aspirations as Turkey has undergone remarkable progress. It is our belief that our neighbor's accession to the EU is an irreversible process and will add even further strength to our relations given that Georgia will also enjoy a land border with the EU as well.

In addition I believe that just like Romania, Bulgaria and Turkey, other states of the Black Sea region - Ukraine, Moldova and Georgia will one day join the European Union. This is of course a part of our long term vision but we are ready for this challenge. The countries of the Black Sea region do not want to become members of the European community only because Europe is "good," or because membership means wealth and a better life. Rather, we want to be members of the EU because we are Europeans, and to be a member of the Union is our natural mission.

Today, Georgia has already taken the first steps on this road. Georgia and the European Union recently negotiated an Action plan within the European Neighborhood policy, which will guide Georgia's reforms for the next several years. We understand that there is no direct link between membership of the EU and implementation of the Action Plan, but we hope that after its successful implementation Georgia and the European Union will move to a higher level of integration.

I want to note that Georgia is not a country that seeks to be well-off at the expense of others, or is looking to benefit from the umbrella of economic development

and security at someone else's expense. On the contrary, our goal is to create synergies and linkages that create clear benefits for all parties - inside and outside the EU. In this respect, we share the mutual goal of peacefully resolving the territorial conflicts in Georgia because separatism is a threat not only to Georgia, but to the EU as a whole. In this regard, the Black Sea region has a unique chance to become a model of peaceful co-existence and economic development for many other parts of the world. Our region is democratic and committed to further strengthening the institutions of democracy, especially following the non-violent revolutions in Ukraine and Georgia. The pace of economic development in our region is one of the fastest in the world, and maintaining this record is clearly in the interest of the EU.

I would like to note other converging issues. Specifically, it is our common interest to develop secure sources of energy supply and transit through diversification. To meet that goal, all Europeans should be able to make choices and operate in a market-based environment and dependence on a single energy supplier makes that harder to achieve. Current and planned linkages between the Caspian Basin and Black Sea region provide that alternative, and together we make all of Europe stronger and more stable.

There are many other important issues in EU-Georgia relations, among them I believe the issue of European identity and public awareness is one of the most significant. The greatest asset a country can have on the road to the EU is a population which understands where we stand, and what the implications of such process are. Public support and a high degree of awareness is a crucial instrument that helped many Eastern European countries, among them our Baltic friends, to integrate into the EU.

Therefore, I believe that events such as this symposium are important for Georgia and the region as a whole, because they serve the noble purpose of raising public awareness, establishing new links and intensifying academic debate. Dialogue among the experts-from the Black Sea countries about the EU is a mechanism that will further contribute to mutual understanding among our nations and strengthening our common Europe identity and destiny.

I wish you good luck and a productive day.

Warmly,  
Mikheil Saakashvili

# *Opening Ceremony*



## Welcome Speech

Valeri CHECHELASHVILI\*

Excellencies, Dear Colleagues,

Ladies and Gentlemen,

Today I will use this opportunity and speak about our understanding of regional cooperation in the wake of the enlarged Europe. Undeniably the new European security system based on transformed European and Euro-Atlantic organizations cannot develop without establishing a reliable Black Sea Security system and economic cooperation systems. This is a unique opportunity for NATO and the EU to work together to assist Black Sea nations in ensuring sustainable regional stability and security.

Today we are talking about the new shapes of the enlarged Europe, enlisting 27 members already starting from January 1<sup>st</sup>, 2007, as the European Union has moved further eastward to become a Black Sea player. Undoubtedly, EU enlargement pushed Georgia much closer to the EU both in terms of geography and shared values. Stemming out from this argument, I reiterate that strengthening cooperation with and among the Black Sea states is of utmost importance for Georgia, especially once Bulgaria, Romania and Turkey become the EU Member States. In this respect, Georgia attaches special importance to the cooperation within the Organization of the Black Sea Economic Cooperation (BSEC), the only regional initiative which gathers these states under a common legal umbrella. Furthermore we sincerely welcome the ongoing integration of the Black Sea countries into NATO and the EU.

Today we gladly admit that the EU-Georgia ENP Action Plan, which is a political document of an utmost importance for us, has been finalized. It lays down strategic objectives of partnership, which envisages enhanced regional cooperation within the Black Sea inter alia in education, energy, transport, environment, border management, etc. The Black Sea regional cooperation especially matters in terms of growing importance of the European energy security. We believe that with a view to regional integration and progressive integration with the EU energy market and system, Georgia's role as energy transit country is to support the development of diversified infrastructures connected to the Caspian energy resources and facilitate transit to the EU.

We genuinely believe that in the contemporary Europe the borders should not become barriers between neighbors but instead they ought to facilitate economic, trade and cultural interactions between them. Given the fact that the new shapes and the new borders of the European Union, very shortly enlisting Bulgaria and Romania on board, the EU has strong

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\* Ministry Of Foreign Affairs Of Georgia - First Deputy Minister

economic incentives to equip not only Georgia but the whole region with favorable conditions to facilitate economic development at large. In this context, we sincerely believe that Georgia as well as other Black Sea countries, needs to explore alternative markets for its products. We welcome the EU-Georgia fruitful dialogue on trade issues and look forward to launch negotiations on EU-Georgian bilateral Agreement on recognition and protection of geographical indications of wine, spirits and other foodstuff. Through the harmonization of Georgian legislation with that of the EU and by establishment of respective EU standards and norms we encourage our export to redirect its activities to the EU markets. Although we are beneficiaries of the new Generalized System of Preferences of the EU (so called GSP+) we aim at further lowering of customs tariffs and non tariff barriers to trade with the EU for strategic Georgian export products.

In the framework of regional cooperation, years already Turkey represents Georgia's one of the largest trade partners. In this context, we attach a paramount importance to the possible Free Trade Agreement with Turkey, simultaneously discussing possible Free Trade Agreement with the European Union. It might be underlined that the ENP Action Plan envisages the feasibility study of such an agreement.

The neighborhood especially that of having a wider connotation, is not, of course, only about trade and energy, but rather far reaching goal – ensuring and increasing security dimension. Therefore if, we take major new challenges and threats that Europe faces today – be it illegal immigrants, drugs trafficking, unsettled internal conflicts, etc. – the Black Sea region and Georgia in particular is a new front-line to fight with them.

Dear friends,

I sincerely believe that regional cooperation, a successful implementation of the action plan hand in hand with the persistent and steady reform process in Georgia should bring Georgia to the position of a genuine democratic, stable and prosperous state. Our ambition is to play our role in the European prosperity and security and to be accepted in the European family of Nations as a reliable and valuable partner.

Finally, we highly appreciate your participation in the event and the contribution to the work of the symposium. Your input is highly valuable for the continuous discussions over the Black Sea Regional problems and challenges. We strongly believe that the information exchange between the event participants will be a value added step in terms of further cooperation on the Black Sea Region issues. We wish you fruitful work and enjoyable stay in Georgia.

Thank You

## Welcome Speech

**Giorgi BARAMIDZE\***

Ladies and Gentlemen,

Dear participants,

I welcome all of you here in Tbilisi at the **3<sup>rd</sup> International Silk Road Symposium**.

- Since ancient times the Black Sea area as part of Silk Road has been the cradle of different civilizations, where political-economic relations were well developed.
- Strategic resources, emerging markets, tremendous potential of developing trade of goods and services create a basis for developing of profitable political and economic relations. This already is present reality of the Black Sea Region.
- The beginning of the 21<sup>st</sup> century offers a solid ground and sufficient opportunities to develop new concepts and attitudes.
- According to this new approach the Black sea Region should be regarded as a natural part of the whole European Architecture.
- The fact that Greece is the member of EU, Romania and Bulgaria are the candidate countries, Turkey is a member of European Customs Union, Georgia and together with other South Caucasus countries, Ukraine and Moldova are involved in the ENP makes the Black sea Region more interesting and attractive for the EU.
- The cooperation within the framework of regional organization of BSEC gains a special significance.
- In 1999 participating countries adopted BSEC-EU Platform of Cooperation, which lay down the basis for the institutional principles of the regional organization of BSEC and EU relations and cooperation. This fact proves the EU's vital interest in the region.
- Certain success is achieved in linking the Black Sea region's transport infrastructure to European and Asian networks through the Black Sea PETRA, TRACECA and other projects.

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\* Vice Premier-Minister, State Minister of Georgia on European and Euro-Atlantic Integration

- EU program TACIS, along with other issues, focuses on TRACECA project. TRACECA stands for **Transport Corridor Europe Caucasus Asia** and its main goal is to develop economic relations, trade and transport communications along this Corridor.
- The Black Sea region is an important transit route for diversification of energy resource transportation from central Asia to Europe and thus contributing to energy security of Europe.
- Promotion of regional co-operation in and beyond the South Caucasus region, in particular in the framework of the Black Sea, GUAM, Caspian basin is at the top of the governments agenda and widely presented in the ENP AP.
- ENP AP stresses the need of enhancing the participation in regional cooperation fields such as the environment, education, border management, energy, transport and science and technological development.
- According to the ENP AP specific attention will be given to cooperation in regional law enforcement cooperation initiatives in the Black Sea region, including the Southern Caucasus, as well as through the EC-funded regional assistance initiatives such as SCAD.
- The Black Sea Region has vast potential and perspectives for development. The new initiatives that include enhancing of bilateral and multilateral cooperation in the region and between the Black Sea, the Baltic Sea and the Caspian Sea regions, boost the dynamics of regional development;
- These prospects are undermined by conflicts within the country. The conflicts are safe haven for smuggling, trafficking and organized crime and pose a considerable threat not only to the Black Sea Region but the EU as well. Therefore, we should work together towards peaceful resolution of the conflicts.
- I do believe that the work of the conference will show some issues of regional cooperation in a new light and give us grounds for further reflection.

Thank you for your attention

## Welcome Speech

**Mesut BOZKIR\***

The emergence of the cooperation in the sense of economy and trade in the global world is quite expectable, because one of the dynamics that sustain every country's economy is the energy and transportation. Every nation prioritizes its own people, and wishes them to have better life standards and freedom. Therefore starts, cultural, peaceful, and economic dialogue between the neighboring countries. Finally a union can faster. As all we know, European association of coal and steel founded in 1951 formed the skeleton of European Union, in order to promote the coal and steel sectors, two basic raw materials that gained a considerable significance in terms of industry pro-world war 2 eras.

The European Union has shared values based on long lasting peace, unity, liberty, equality, security, and solidarity. Aims of EU include providing and maintaining liberty, protection of Democracy, respect of human rights, supremacy of justice, freedom, and security by all members. European Union is a unique well-organized community in the world.

Black Sea Region countries are neighbors of European Union. All routes – air, sea, and road – to EU cross these countries. It should benefit from EU in all possible aspects. This region has the potential to contribute to European Union. It offers young educated dynamic workforce, a potential market to invest, impressive landscape for tourism, mineral resources, and so on.

Besides, the Cooperation between European Union (EU) and Black Sea Regions will enhance security and solidarity in the region and eradicate misunderstandings coming from the history.

Believing that gatherings and reunions such as symposiums and conferences will facilitate mutual understanding, I would like to thank the President of Georgia, H.E. Mr. Micheil SAAKASHVILI for supporting all scientific, cultural and social activities organized to maintain cooperation and peace in the world and hosting the symposium on the cooperation between Black Sea Region Countries and European Union (EU) in the framework of 3<sup>rd</sup> Silk Road Symposium.

I would like to thank also all institutions and foundations for their labor needed to bring this symposium about.

Especially, I would like to thank Prof. Dr. Giuli ALASANIA for her endeavor and dedication to bring us together today.

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\* The Head of Chaglar Educational Institutions and the Chairman of the trusty committee of International Black Sea University

## Welcome Speech

Ahmet Çetin CAN\*

Distinguished Scholars,  
Ladies and Gentlemen,

It is a great pleasure for me to welcome you all at this symposium, organized by Silk Road Research Centre in collaboration with the International Black Sea University, Ministry of Foreign Affairs, Turkish International Cooperation Administration, Tbilisi

State University, Georgian Technical University and Georgian University of Social Sciences.

The Symposium was organized under the auspices of the President of Georgia Michael Saakashvili and I would like to express my deepest gratitude to his Excellency.

The topic of the 3<sup>rd</sup> International Silk Road Symposium is “The Black Sea Region Countries and Prospective Relationships with the European Union.” We have more than 28 speakers from Georgia and different foreign countries and all the symposium materials will be published.

Today’s symposium should be considered as an important step forward in the realization of the “Silk Road” project.

I wish you fruitful and successful cooperation in this noble activity.

Thank You.

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\* Prof. Dr., Rector of International Black Sea University

The first contacts of the Georgians with the West were reflected in the popular myth about the Argonauts. In the mid-second millennium BC Greeks from Miletus came to the country Eguri (Egrisi) for the Golden Fleece. Their boat was called Argo, while the participants of that expedition were known as Argonauts. Eguri was Colchis – a wealthy state which emerged in the mid-second millennium BC.

In the 6-5th cc. BC Greek migrants from Miletus founded trade factories in coastal line of Egrisi (Colchis): Phasis (Poti), Dioscuria (Sukhumi), Pitiunt (Bichvinta), Gienos (Ochamchire). The Greek written sources since the 6th c. BC provides us with detailed information about ancient Georgian state formations, filling up some gaps in later local chronicles.

As a result of expedition of the Roman commander Pompeus (65 BC) Kartli (the same Iberia -Eastern Georgia) fell to Rome, while Western Georgia (Egrisi) as a province of Pontus was included into the Empire. Short dependence took a turn for alliance, formulated as a "brotherhood and alliance".

In 298, under a treaty concluded by Rome and Sassanid Persia in Nissibin, the Kartli Kingdom appeared to be under the Roman political control, enabling the authorities to acknowledge Christianity.

Kartli declared Christianity as the state religion in 326, and about that time the same was done in Egrisi (Lazica)<sup>1</sup>. This decision for Georgia, situated at the crossroads between the West and the East, implied taking political orientation towards the West, while two strong superpowers, Rome and Sassanid Persia, were rivalling for world domination. The decision determined Georgia's further fate and strongly tied the Georgian people and the Georgian culture to Western civilisation, even if after that Eastern Georgia much of the time was controlled by Persians or for a shorter time by Arabs.

In 482 the powerful Georgian King Vakhtang Gorgasali broke with Iran, turned to Byzantium, married the Byzantine princess Helena, achieved independence for the Georgian church, and expressed his loyalty to Byzantium, keeping it till his death. His last words to his people were: "Never abandon love for Greeks,"<sup>2</sup> which was a conformation of the Western orientation.

In 596 the Catholicos of Kartli Kirion corresponding with the Roman Pope Gregory the Great, firmly turned the Georgian church to Diophysitism which meant Western orientation. In early 7th century, Abraham, Catholicos of Armenia, wrote to the Catholicos of Kartli: "We

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\* Prof. Dr., Vice-Rector, International Black Sea University

<sup>1</sup> G. Alasania. Twenty centuries of Christianity in Georgia, Publisher "Diaspora-Credo", Tbilisi, 2005, p. 34-35.

<sup>2</sup> Kartlis Tskhovreba (Georgian History) ("Old Kartlis Tskhovreba"). Preparation for publication, introduction and terminology by Ilya Antelava and Nodar Shoshiashvili, Publisher "Nike", Tbilisi, 1996, (Georgian), p. 182.

hardly believe in devoted love for Byzantium from a slave of the king of kings as well as in his separating from Persia having the same faith"<sup>3</sup>. However, that was true.

Splitting up into Catholic and Orthodox churches was not immediately recognized by Georgians and despite the schism of Christendom in 1054 A.D. , the Georgian Church retained contacts with the Catholic Church. About 1065, the famous ecclesiastic figure Giorgi Mtsatsmindeli made the following comment concerning the ecclesiastic discord between Rome and Constantinople: "As heresy has occurred so many times among Greeks... Holy councils among ecclesiastic leaders were summoned and this issue was thoroughly investigated... Khroms (i.e. the Western church) once they acknowledged God, they have never deviated from this faith and they never practiced heresy..."<sup>4</sup>

Georgians didn't participate in Crusades; however 200 crusaders joined forces with the Georgians in defeating invaded Moslem coalition at the Didgori battle in 1121 A.D.

There are several Georgian documents in which the Roman Pope is still in place after 1054:

1. 1057: The deed granted by Bagrat IV to Shiomghvime monastery. The document is confirmed by Catholicos Giorgi;

2. 1188: The deed granted by Queen Tamar to Gelati monastery, signed by Catholicos Tevdore;

3. 1245-50: renewed immunity conferred by eristavi of Kartli Grigol Surameli to Shiomghvime Monastery, confirmed by Catholicos Arseni;

4. 1281-1282 ; the conferring deed issued by Nickolos Catholicos to Arvanbeg Sabaisdze;

5. 1260-1270 ; the deed from Shiomghvime collection about granting Samtsirveli to Zosime Tokhaisdze;

6. 1454 document of Kulukhi, issued by David Catholicos about tribute of Kulukhi Cross population;

7. 1467 endowment to Mary of Mtskheta Metekhi from Catholicos Abraam Abalaki ;

8. 1470 conferring deed from Catholicos David to Makharebel Maghaladze;

9. 1472 conferring deed from Catholicos David to Okropir Maghalashvili.<sup>5</sup>

The early Georgian document where one can't see the Pope alongside with the other patriarchs is dated 1545. It is not accidental that prior to that, Russian kniaz married the niece of the last Byzantine emperor and assumed the right to claim the West and to the East. Later on, in the mid 16<sup>th</sup> century, Ivan IV the Dreadful took the title of a king, extending his territory eastward with the 4-year interval to Kazan and later Astrakhan khanates. Disappearance of the Pope from the list of patriarchs has to be somehow connected with empowering Russia<sup>6</sup>.

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<sup>3</sup> Ukhtanesi. History of separation of Iberia from Armenia. Armenian text translated and edited by Z. Aleksidze, Tbilisi, 1975, (Georgian), p. 5.

<sup>4</sup> Giorgi the Junior. Life of Giorgi the Athonite. Georgian prose, I, Tbilisi, 1982, (Georgian) p. 487.

<sup>5</sup> Guram Mamulia. Giorgi Mamulia. Orthodox isolationism or western nationalism. "Politics", March, 2001, (Georgian), p. 42-47 .

<sup>6</sup> Ibid.



In the letter of the Georgian King Giorgi the Brilliant to the king of France Philippe Valois (1328-41) the former complained that the French kings frequently pitted Eastern kings against the foes, but after that they didn't come, leaving them alone in face of danger.<sup>7</sup> King Giorgi implied the Georgian kings were under the Eastern kings, while the French king had a wide meaning, covering all western rulers.

In 1318 Catholic bishopric was founded in Sukhumi.<sup>8</sup> In 1328 according to the bull, issued by the Pope, bishopric, placed in Smirna before, was transferred to Tbilisi, and a decision was made about constructing the temple, church for bishop.<sup>9</sup> Since that time Georgia was visited by European Roman Catholic missionaries and envoys who contributed greatly to the survival of Georgia throughout the Middle Ages. Contacts with the missionaries were attractive for the Georgian side as a means for establishing trade and cultural links between Georgia and Christian Europe - a challenge of the time. The key factor in the great headway made by Catholic Missions in Georgia was the efforts of the missionaries. The latter strongly supported the idea of unification of the state, built churches, founded schools, disseminated education, rendered medical aid, bridged Georgia to the rest of Europe, fulfilled diplomatic functions, opposed the slave trade, wrote the books, extolling Georgia, and unlike some other foreigners, took the time to learn Georgian and the local culture, in every way possible contributed to its continued development.

From the end of the 13th century to the beginning of the 14th century Genoa got permission to found a trade factory in Georgia.<sup>10</sup> After defeating of Venetian fleet in 1354, Genoa founded trade factory in Sebastopolis (the same Sukhumi). In 1354-1453 trade factory was administered by Kafa. In 1453, that factory passed to "St. George Bank".<sup>11</sup> According to the regulations of Kafa (1449) the consul of Sebastopolis had 1% of cost of the goods brought in or out of Sebastopolis. In those years not just Georgian goods but also silk from Iran and Azerbaijan was exported via Georgia to Europe. The attempt to establish trade relations with the Western Europe one can trace later, for instance in times of Levan II Dadiani (1611-1657), who invited European merchants to Megrelia for founding a company exporting Iranian silk to Europe via Georgia.<sup>12</sup> The same project was revived in 1714 in the Agreement that had to be concluded between Georgia and France, some paragraphs of which considered trade of France with Iran via Georgia and Black Sea.<sup>13</sup>

Despite of attendance at Ferrara-Florence Council, Georgians didn't join the Florence union (1439), avoiding losing of independence of their church. However they still participated

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<sup>7</sup> T. Beradze, M. Sanadze. Georgian History, I, (Georgian), Tbilisi, 2003, p. 203.

<sup>8</sup> T. Beradze. Navigation and marine trade in medieval Georgia. (Russian), Tbilisi, 1989, p. 97; Richard J. La papaute at les missions d'orient au mouen Age (XIII-XVs), Rome, 1977, p. 178.

<sup>9</sup> M. Tamarashvili, History of the Georgian church, materials and studies. Edition, introduction by Z. Aleksidze, J. Odisheli. Publisher, «Kandeli», Tbilisi, 1995 (Georgian), p. ; M. Papashvili, Georgian-Rome Relations, Publisher, «Aghmashenebeli», Tbilisi, 1995, (Georgian), p. 94).

<sup>10</sup> T. Beradze. Navigation and marine trade in medieval Georgia, p. 99;

<sup>11</sup> T. Beradze, Navigation and marine trade in medieval Georgia, p. 99-100.

<sup>12</sup> T. Beradze, Navigation and marine trade in medieval Georgia, p. 150-152; Payssonel. M. De Traite sur la commerce de la Mer Noire t, II, Paris, 1787, p. 41-42, 48-50.

<sup>13</sup> T. Beradze, Navigation and marine trade in medieval Georgia, p. 151; Documents from the history of French-Georgian Relations, (March 1707-December 1714). French text with the Georgian translation, introduction and comments by I. Tabaghua, (Georgian), Tbilisi, 1975, p. 276.

in various attempts of Europeans to organize anti-Ottoman coalition, since the increasing power of the neighbouring Ottoman Empire threatened its independence.<sup>14</sup>

In 1460 Ludovico of Bologna took with him the envoys of the Georgian king Giorgi VIII and Kvarqvare Atabeg with the letters. Those were Nikoloz from Tbilisi and Kusudan (Parsadan), who were going to Europe together with five envoys. Their route was through Hungary, Germany, Venice, Florence, Rome, Milan and France. In May 1461, the Georgian envoys reached France; they first visited the French king Charles VII, after that Philip the Kind, the Burgundy Duke<sup>15</sup>. Despite failure, they didn't lose the desire to establish contacts with European countries. The next, who was sent, by the Kartli King Constantine in the ninth decade of the 15th century, was Nilo, the follower of the St. Basilus order. Together with brother Zakaria, they were sent to Spain, to Queen Isabelle and King Ferdinand in 1495, with the gifts. The hosts appreciated their visit, expressed thanks for the gifts, however they declined the request to participate in anti-Ottoman coalition.<sup>16</sup> The ambassadors also met Pope Alexander VI and gave him a letter from the Georgian king appealing to Europeans to rise against increasing Moslems. As a response, the Pope sent to the Georgian king the decision of Ferrara-Florence Council, inviting him to follow the document.<sup>17</sup>

The dissolution of Georgia in the end of the 15<sup>th</sup> century made its division between the Ottoman Empire and Sassanid Persia in the mid 16<sup>th</sup> century easier. Since then, the aspiration toward unification and independence was an impetus for the further activities of Georgian civil as well as ecclesiastic figures. West Europe was considered by them as a potential ally with whom they tried to establish contacts in all ways possible. In some cases they even were ready for concessions in religious affinity. Throughout the late Middle Ages a number of Georgians who were at the highest social position, adopted Catholicism with expectation of efficient support in achieving the main goal.

In the first half of the 16th century the Kartli King Luarsab I tried to establish contacts with the Pope via the Armenian envoys. The latter informed the Pope that the Georgian kings and rulers recognized supremacy of the Pope.<sup>18</sup> One can see evidence about that in the Pope's letter, sent to the Georgian king.

In the ninth decade of the 16<sup>th</sup> century, a new attempt to establish a anti-Ottoman coalition was undertaken, in which Roman Pope Clement VII (1592- 1605), German Emperor Rudolf II (1576-1612), Venice, Spanish king, Persians and Georgians were implied.

In his letter to the Pope (1596 6 May) Luarsab's son Simon – the Kartli king, following his father, mentioned the Pope as a "spiritual Father", "the Greatest Pope", asking him support against Ottomans. Simon addressed the Spanish king with the same plea, asking him to attract the German king to the coalition as well. In his letter Simon promised to be loyal to the Pope<sup>19</sup>.

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<sup>14</sup> M. Makharadze. Georgian-Ottoman Relations in the 15<sup>th</sup> century, (Georgian), Tbilisi, 2005, p. 80-84; J. Vateishvili Georgia and European countries, v. I. Georgia and Western Europe XIII-XVII cc. I, "Publisher "Nauka", (Russian), Moscow 2003, 179-210.

<sup>15</sup> G. Paichadze. The anti-Turkish coalition of European countries and Georgia in the 1460, Publisher "Metsniereba", p. 88-105.

<sup>16</sup> M. Makharadze, Georgian- Ottoman Relations in the 15<sup>th</sup> centuries, p. 98-100.

<sup>17</sup> M. Papashvili. Georgian-Rome relations, p. 110.

<sup>18</sup> M. Tamarashvili. History of the Georgian Church... p. 519-521; M. Papashvili, Georgian-Rome relations, p. 113.

<sup>19</sup> I. Tabaghua. Georgia in European archives, I , (Georgian) Tbilisi, p. 156, 222, 227; M. Papashvili, Georgian-Rome relations, 117, 121-122; .M. Tamarashvili, History of the Georgian Church... 523-524.

In 1625 the ambassador of Kakhetian King Teimuraz, Nikoloz Irbakhi Cholokashvili, was sent to the European countries, to the Pope Urban VIII . The ambassador asked the Pope to connect him with the Spanish king. When visiting the Spain King Philip IV, Nickoloz was pleading him to join him in his fighting against Ottomans.<sup>20</sup> That attempt also failed however was followed by the positive result - the first printing of Georgian books by Propaganda Fide.<sup>21</sup> Instead of support, Teimuraz recieved a letter from the Pope and blessing. In 1630 Teimuraz sent another envoy - missionary Pietro Avitabile to the Pope<sup>22</sup> .

In the early 17th century Lui Grange cites the words of the Western Georgian prince Gurieli. The latter said that the reason for the fall of Constantinople was separation from Rome. In his words, everybody had to be loyal to the Pope.<sup>23</sup>

In the mid 17th century Vakhtang V, the king of the Eastern Georgia addressed the Pope, Alexander VII: "The Great", "the Most Powerful", "Invincible", "the Greatest among All Patriarchs", "Protector of Justice", "the Head of All Christians."<sup>24</sup>

In the eight decade of the 17th century (1687), in his letter to the Pope, Giorgi XI expressed the will to join European kings who were under Pope's protection. In his letter to the Pope Innocencio XI he explained that the situation in Georgia, which was controlled by Persians, didn't allow him to accept Catholicism publicly, but the king promised to live in loyalty to the Pope. That was time when the anti-Ottoman forces - Austria, Poland, Venice and others were united. " All Georgian troops in our kingdom are ready and wait for your orders; our dream is to follow your orders. Do not doubt our loyalty. Although we are far, we dream to see you", -were the words of the Georgian king to the Pope .<sup>25</sup>

Another Georgian king Erekle I (1688-1703) recognized simultaneously Islam and Christianity. According to Tournefort , "He went to the mosque", "came to Mass too at the Church of the Capuchins, where he would drink his Holiness's (i.e., the Pope's) health".<sup>26</sup> Missionary Iosef informed Rome about loyalty of Georgian king Erekle I to the Pope.<sup>27</sup>

In times of the Pope Climent XI (1700-1721) the Georgian Catholicos Domenti was ready to accept Catholicism, however not losing independence. He considered the Pope as a viceroy of Christ, head of apostolic church.<sup>28</sup>

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<sup>20</sup> J. Vateishvili. Georgia and European countries, v. I. Georgia and Western Europe, XIII-XVII cc. I, p. 248-254.

<sup>21</sup> J. Vateishvili, Georgia and European countries, v. I, p. 378-440; M. Tamarashvili, History of the Georgian Church... 556-558; M. Papashvili, Georgian-Rome relations, 160-162.

<sup>22</sup> M. Tamarashvili, History of the Georgian Church..., 556-558; M. Papashvili, Georgian-Rome relations, 169-162.

<sup>23</sup> M. Tamarashvili. History of Catholicism among Georgians, since XIII th - till XXth cc. Tbilisi, 1902, (Georgian), p.139.

<sup>24</sup> M. Tamarashvili. History of the Georgian church..., p. 620-621.

<sup>25</sup> M. Tamarashvili, History of the Georgian Church..., 631-632; M. Papashvili, Georgian-Rome relations, 221-224.

<sup>26</sup> David Marshal Lang, The Last Years of the Georgian Monarchy 1658-1932, Columbia University Press, New York, 1957, p. 83; J.P. de Tournefort. Travel to the Eastern countries. Translation from French, introduction and comments by M. Mgaloblishvili, (Georgian), Tbilisi 1988, p.61.

<sup>27</sup> M. Tamarashvili. History of Catholicism among Georgians, P. 255.

<sup>28</sup> M. Tamarashvili, History of the Georgian church, P. 430. M. Tamarashvili. History of Catholicism, among Georgians, p. 306.

Kartli King Kaikhosro (1709-1711) informed the Pope, that he accepted Catholicism, but was forced to hide it, since Georgia was controlled by Persia and asked his permission for keeping this in secret.<sup>29</sup>

Hard times in the Persian history in early 18<sup>th</sup> century raised hope for achieving independence in Georgia. The first step made for getting help was again toward the West. That time the Kartli King Wakhtang VI sent the ambassador (Sulkhan-Saba Orbeliani) to France to plead with Luis XIV. He also visited Italy and other European countries (1714-1716). After failing attempt to protect his country from Persians and Ottomans<sup>30</sup> Wakhtang was forced to get into contact with Russia. That turned into tragedy for Georgia. The country was occupied by invaders,- and the Georgian king was forced to emigrate forever, ever accompanied by the greater part of educated elite.

In the 40s of the 18th century, Catholicos of Georgia Nicolos VII Kherkheulidze sent a letter to Pope Benedict XIV, in which he described the situation in Georgia, asking him not to call back the Catholic priests, who were in Georgia<sup>31</sup>.

In the sixth decade of the 18<sup>th</sup> century after long time of splitting Kakheti, Kartli King Erekle II managed to unite Eastern Georgia, and unification of country as a whole was set up on agenda. Once again he appealed to Europe. In 1781 Erekle sent Father Dominic of Trieste to Rome and Vienna. The latter died on his way. The following year, Erekle sent Father Mavros (Mauro) of Verona with a letter to the Austrian emperor, the king of France and several of the Italian states. One can read in his letter to French king Louis XVI: "...we now make bold to state that our request consists in imploring means to maintain two regiments, to enable us to recruit soldiers and organize them on the European model, so that our foes, hearing of the formation of such a corps, may not dare to undertake any further hostilities against us..."<sup>32</sup> That time Erekle's appeals to the courts of Western Europe had not met with any response.

A vain quest for an ally in the West throughout the 18th century by the orientation towards Orthodox Russia came to an end. In 1783 the treaty of Georgievsk, signed between Russia and Georgia, actually laid the foundation for the abolition of the Georgian Church's independence, followed by abolition of statehood. According to the treaty the Georgian Church had to subordinate itself to the Synod of the Russian Orthodox Church to the eighth place in the Church hierarchy. By the same document, sympathy and tolerance toward Roman Catholicism was sealed up. In 1801, the Russian king annexed Georgia's centuries-old statehood in Eastern Georgia on the basis of a manifesto and a bit later Western Georgia Kingdom was abolished.

Letter sent to Napoleon by the last Western King Solomon II is the last desperate attempt to attract attention of the West:"...the emperor of Moscow had unjustly and illegally stripped us of our royal estate; .. this emperor had no legal title whatever; ... since we ourselves had neither the strength to set up armed resistance to the invasion of our domains, nor any means of obliging the usurper to restore them to us by recourse to law, therefore this double impotence served to excuse our failure to take effective action;... may you deign to liberate me, together with million Christian souls, from the yoke of the pitiless emperor of Moscow, either by your lofty mediation, or else by the might of your all-powerful arm..."<sup>33</sup> The international situation was not favourable for the realization of those plans. Activities of the Catholic

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<sup>29</sup> M. Tamarashvili. History of Catholicism among Georgians, 306.

<sup>30</sup> David Marshall Lang, The last years of the Georgian Monarchy 1658-1832, p. 100-115.

<sup>31</sup> M. Tamarashvili, History of the Georgian church, 432.

<sup>32</sup> David Lang, The Last years of the Georgian monarchy 1658-1832, p. 182-182.

<sup>33</sup> David Lang, The Last years of the Georgian monarchy, p. 263-264. .

missionaries in Georgia were suspended in 1845 by the hegemony of Russian authorities, since the Russian administration was established there.

In the second half of the 19th century, many Georgians studied in European Universities, being involved in political activities, founding the political parties, and editing different newspapers and journals. Many Europeans with different intentions visited Georgia. However cultural as well as commercial interaction between Georgia and the West was mainly realized via Russia and under Russian control.

A new experience of relations is connected with a short period of independence of Georgia in 1918-1921. Germany, Britain and Italy, one after another, supported the independence of the small state in different ways. Yet, they finally gave up in the face of more significant challenges. The end of WWI didn't put the independence of Georgia on the political agenda. This was confirmed later by the League of Nations which didn't recognize the independence of Georgia. That resulted in 70years of Bolshevik regime in Georgia.

In 1991 Georgia once again restored political independence. Recognized by international community, Georgia is a member of a number of international organizations. After the "Rose Revolution" in November 2003, Georgia firmly stood for the following strategic goals: a strong, united and stable democracy and Euro-Atlantic Integration. For the performance of the current program the country has accepted the following documents: Government Action Plan of Reforms 2006-2009; Individual Partnership Action Plan with NATO, 2004-2006; European Neighbourhood Policy Action Plan, signed in October 2006. Each comprises a number of obligations and duties, which are gradually fulfilled by our country. Unlike the previous experience, Georgia is strongly supported by International community. However, its territorial integrity as well as independence is still at risk. But this time we believe, that increasing significance of global integration and cooperation in different spheres, steadiness of democratic values, and transparency of ongoing processes will not give way to injustice.

## **A Synergy for Black Sea Regional Cooperation: Guidelines for an EU Initiative**

**Fabrizio TASSINARI\***

**Abstract:** This study advocates that the EU support a comprehensive, multi-stakeholder initiative to achieve synergy from regional cooperation in the wider Black Sea area. The background for this initiative is first provided through an overview of the challenges, recent developments and EU interests in this region. Different models of regionalism have been promoted by the EU in the European periphery, and these are schematised with a focus on their respective advantages and disadvantages. Finally guidelines for an EU initiative are set out under: 1) objectives and sector-specific actions, 2) its scope in terms of variable geographic geometries of desirable cooperation in the region and 3) a Framework of institutional and financial arrangements to support the process. An overarching mechanism is required to give political cohesion, ownership, visibility and strategic purpose to the process, and this could well be based on an annual, high-level meeting, drawing on the model of the Black Sea Forum Summit in Bucharest on 5 June 2006.

### **1. The Puzzle**

The Black Sea Region is emerging as a decisive crossroads for the future of the Wider Europe. Given the prominent list of regional players, the Black Sea crossroads is primarily of a geo-strategic nature. In this area converge Turkey, Russia, Ukraine, the Eastern Balkans, and the Caucasus. The region brings together some of the most important challenges that shape the security of today and tomorrow's Europe: from illegal migration to environmental degradation; from the security of energy supplies to illicit trafficking of drugs and weapons, to 'frozen conflicts'. Of no less importance is that the Black Sea is a civilisational crossroads, at the confluence of Orthodox, Muslim and, increasingly so, Western political and societal cultures.

Regional cooperation has emerged but not thrived. Black Sea actors have been preoccupied by tangible issues challenging vital national interests – from the open conflicts in Russia's volatile North Caucasus to the 'frozen conflicts' of the South Caucasus and Moldova – more than by the fuzzy prospects of an elusive regional cooperation model. Outstanding bilateral issues – between Turkey and Armenia or Greece, and between Russia and other former Soviet states – have also prevented Black Sea countries from elaborating bold regional plans.

As a result, the limited pan-Black Sea cooperation has focused mainly on 'soft', non-military activities. This is exemplified by the Black Sea Economic Cooperation Organisation (BSEC), established in 1992. BSEC has proved to be a confidence-building forum for discussion of common interests. Over the years, however, the deficiencies of this institution have become increasingly patent, with over-bureaucratisation and some tense bilateral relationships among the causes behind BSEC poor performance.

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\* Fabrizio Tassinari is Research Fellow at CEPS and Assistant Professor at the University of Copenhagen. Financial support from the Riksbankens Jubileumsfond for his research is gratefully acknowledged.

Black Sea regional interdependence is nevertheless in flux and is emerging as a major focal point in Europe's ongoing transformation. The paramount reason for this is the gradual geographic (and ideational) advancement of the Euro-Atlantic community in the region, which is resisted by Russia's efforts to retain its traditional influence. After fifteen years of transition culminating in the EU and NATO's enlargements into Central and Eastern Europe, this evolution reached another remarkable peak with the 2003-2005 'colour revolutions', which brought to power democratic, reform-minded and western-leaning administrations in Georgia and Ukraine. Moreover, the EU has also opened accession negotiations with Turkey in 2005 and Bulgaria and Romania are set to accede to the Union in 2008 at the latest.

Four more recent developments bring further evidence of the rising importance of the Black Sea region. First, in August 2005, Ukraine and Georgia signed the so-called 'Borjomi Declaration'. This resulted in the creation of the Community of Democratic Choice (CDC) in December of the same year, which aims at ending "remaining divisions in the [Baltic-Black Sea] region, human rights violations, and any type of confrontation, or frozen conflict".<sup>34</sup> In the CDC, the two countries are joined by Lithuania, Latvia, Estonia, Romania, Moldova, Slovenia and Macedonia, which met most recently in Vilnius in May 2006.

Second, the year 2006 was opened by the infamous energy-related crisis between Russia and Ukraine, and also Russia's trade sanctions against Georgia and Moldova. These were not isolated incidents, and are to be inscribed in a more complex geopolitical context, which includes the pro-European stance of a number of former-Soviet states, Russia's increasingly assertive posture towards them and Europe's increasing energy dependence on Russia.

Third is the revival of the GUAM (Georgia, Ukraine, Azerbaijan, Moldova) initiative. In the 1990s, this semi-dormant US-backed organisation seemed unlikely to overcome Russian opposition. However, following the Rose and Orange revolutions, and pro-European shift in the foreign policy orientation of Moldova, GUAM was restyled as the Organisation for Democracy and Economic Development (ODED-GUAM) at a Kyiv summit on 23 May 2006. The ODED-GUAM espouses multiple objectives, with priority for energy security across the Caspian-Caucasus-Black Sea axis, and a free trade area among the member states, as well as democracy promotion.

Fourth, Romania has long been advocating the need for a more coordinated and high-profile regional initiative in the Black Sea. Under President Traian Basescu, this idea has taken a more concrete shape, with the launching of a Black Sea Forum for Dialogue and Partnership at a Summit in Bucharest in June 2006.

Against this background, how may one assess the EU's engagement in the Black Sea? In this region there are as many as three EU policies: the enlargement process towards South-Eastern Europe and Turkey, the European Neighbourhood Policy (ENP), which embraces Ukraine, Moldova, and the three South Caucasus states, and the EU-Russia relationship which aims now at a 'strategic partnership'.<sup>35</sup>

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<sup>34</sup> "Ukraine: Regional Leaders Set Up Community of Democratic Choice" Radio Free Europe/Radio Liberty, 2 December 2005.

<sup>35</sup> See Marius Vahl, "The EU and Black Sea Regional Cooperation: Some Challenges for BSEC", CEPS Commentary, 15 April 2005.

These initiatives, however, offer only a partial picture. When dealing with threats and challenges of a transnational nature in fields such as migration, crime prevention, infrastructures or pollution, bilateral mechanisms are effective only to a limited extent. Admittedly, each of these three processes incorporate broader regional considerations, to the extent that the European Commission encourages partners to engage in existing regional formats or to comply with the obligations imposed by the various multilateral arrangements in the UN, Council of Europe, or OSCE. Moreover, the EU has sponsored some Black Sea regional programmes in a few fields such as environment, transport and energy, as will be more thoroughly discussed below.

Yet, what this impressive range of instruments lacks is a strategic or holistic approach. There may be several reasons for this, such as the widespread feeling of 'overstretch' which followed the 2004 enlargement, a deferential approach to Russia by some member states in a region that Moscow calls its 'near abroad', and – unlike the Baltic or Mediterranean Seas – the absence of a 'Brussels lobby' pushing for the Black Sea.

On the other hand, there are just as many reasons to argue why the EU should think more systematically about this region. With Romania and Bulgaria's accession, the EU will enlarge to the Black Sea shores and will need to provide itself with a long-term perspective in a region that is vital to its security and foreign policy ambitions. In addition, Russia's assertiveness vis-a-vis some countries in the region is bound to impact on some strategic interests of the enlarged Union.

More pragmatically, the very existence of many overlapping regional initiatives has produced the result of dispersing resources and blurring the image of the emerging Black Sea region. Especially in view of the launching of the ENP, the EU has now the opportunity to contribute to systematising and reinvigorating what has been built over the past decade. This study addresses how that could be done.

## **2. Models of Euro-regionalism**

The EU is not new to launching or promoting regional initiatives in its periphery. The promotion of regional cooperation can be regarded as a logical extension of the European integration rationale of pooling resources, coordinating action, and building confidence through enhancing transnational cooperation.<sup>36</sup>

This notwithstanding, the way in which the EU has promoted regionalism has varied greatly depending on specific circumstances and on the typology of actors present in each region. Schematically, two regional models can be identified: an outside-in model and an inside-out one.

### **2.1 Outside-in Model**

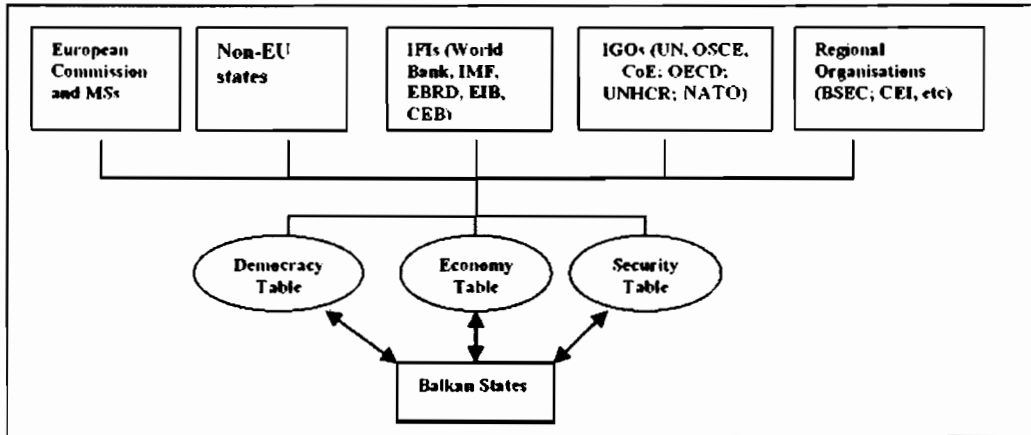
The first pattern is where the EU support has launched and managed regional initiatives. This has been the case for the Euro-Mediterranean Partnership and the Stability Pact for South-Eastern Europe. In these cases no regional mechanism pre-existed and the EU has carried out most of the strategic, conceptual and managerial bulk of the work.

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<sup>36</sup> See Karen Smith, *European Foreign Policy in a Changing World*, (Cambridge: Polity), 2003, p. 83 ff.



Figure 1. The Institutional Framework of the Stability Pact for South Eastern Europe



As showed in Figure 1 above, the Stability Pact is shared with several other categories of actors: a number of non-EU states (Canada, Japan, Norway, Russia, Switzerland, Turkey and the US); the international financial institutions and other UN agencies, and various regional organisations (e.g. the BSEC, the South East European Cooperative Initiative, etc.). The Stability Pact is organised under three ‘tables’: democracy, economy and security, and functions alongside the EU’s bilateral Stability and Association Agreements with individual Western Balkan countries.<sup>37</sup>

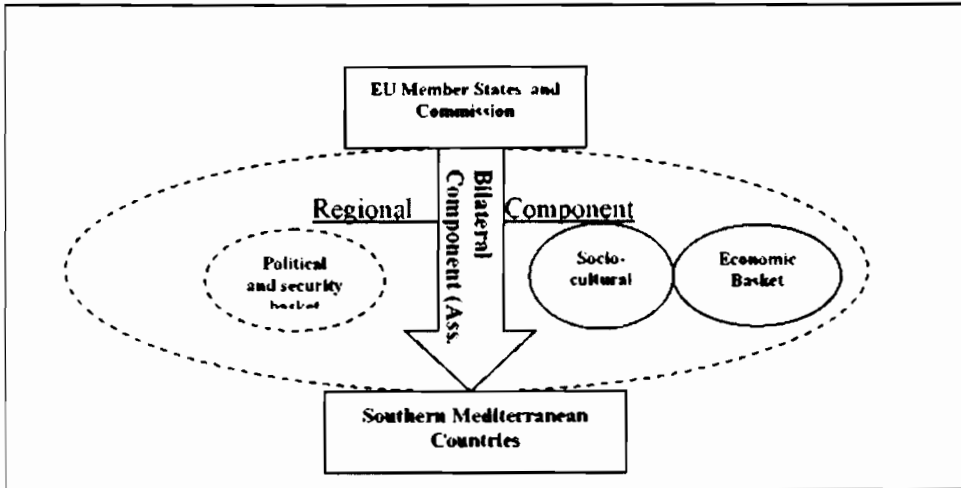
In the Barcelona process (figure 2), the outside-in dynamic is even more clear-cut. The regional dimension is characterised also by three sections (‘baskets’): one on politics and security; one on society and culture and a third one on the economy.<sup>38</sup> The bilateral dimension is established in Association Agreements with the individual partner states.

<sup>37</sup> An embryonic form of home-grown Balkan regionalism has also been emerging over the past few years:

this is the case in the South-Eastern Europe Cooperation Process since 2001, grouping Albania, Bosnia-Herzegovina, Bulgaria, Greece, FYR Macedonia, Romania, Serbia-Montenegro and Turkey.

<sup>38</sup> Figures 2 and 3 are schematisations which aim to underline the overall outside-in rationale of more complex institutional mechanisms. The Stability Pact, for example, is also characterised by a plethora and expert groups and task forces, while both the bilateral and multilateral dimensions of the Euro-Mediterranean Partnership are more articulated. For a more comprehensive description of these two frameworks see: [www.stabilitypact.org](http://www.stabilitypact.org) and Eric Philippart "The Euro-Mediterranean Partnership: Unique Features, First Results and Future Challenges" *CEPS Middle East Working Papers* n. 10, 2003.

Figure 2. The Institutional Framework of the Euro-Mediterranean Partnership



While the comparison of the Stability Pact and the Barcelona has some obvious limits, both relate to conflicts. The Stability Pact emerged in the wake of the Kosovo war, Europe’s most dramatic conflict since WW2, and had to confront serious problems of trust between various states of the region. The Mediterranean partnership has had to confront the challenges posed by the Middle East conflict and by the heterogeneity of the region spanning from Morocco to Jordan.

These differences notwithstanding, there are two distinctive features in common. On the one hand, in both cases the EU has been the motor of the regional cooperation, defining priorities and the scope of cooperation. By bringing the region into the centre of the European agenda, the EU has obliged its member states to address its challenges.

On the other hand, outside-in regionalism has limited the ‘joint ownership’ of the process. Instead of empowering Southern Mediterranean and Balkan partners, this centralisation has rendered these countries rather ‘passive’ actors, if not openly opposed to the regional process. In the Mediterranean, the EU has mixed an inclusive rhetoric of common values and interests, with policies that highlight the risks coming from Europe’s southern flank - migration, trafficking, terrorism. In the Stability Pact, the countries that have performed better and more effectively in accomplishing their major foreign policy goals, like in the cases of Slovenia (a new EU Member State) and, more recently Croatia, are those for which the Stability Pact has meant least.<sup>39</sup>

## 2.2 Inside-out Model

When the EU approached regions like the Baltic or Barents Sea, it found established practices of regional cooperation already up and running: at the non-governmental, business and sub-national levels (e.g. the Union of the Baltic Cities, the Baltic Sea Chambers of Commerce etc.), and at the level of intergovernmental cooperation (e.g. the Council of the Baltic Sea States, the Barents Euro-Arctic

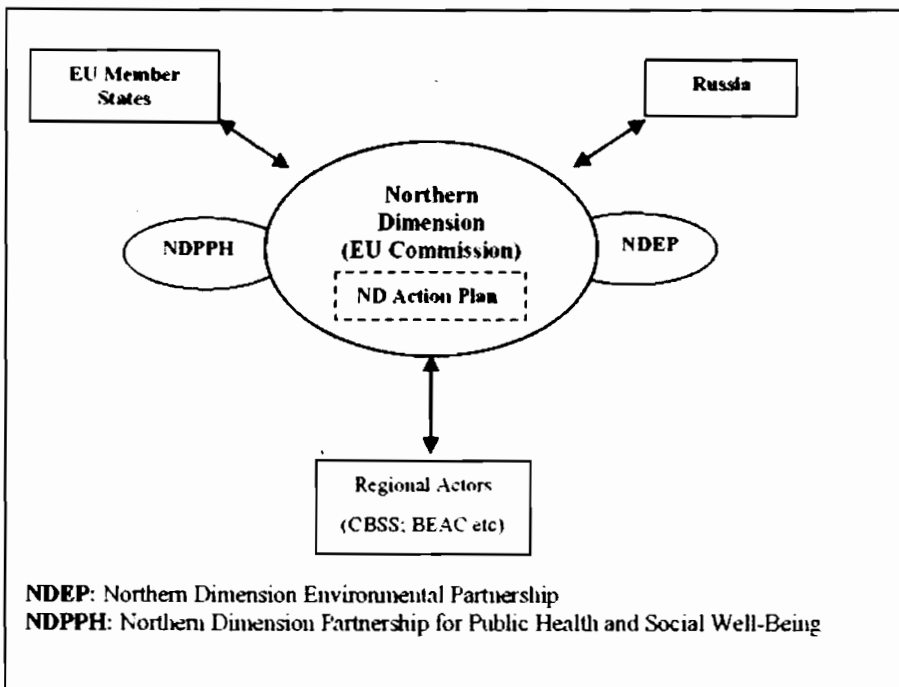
<sup>39</sup> The current EU Commission’s plan for a free trade zone in the Balkans is facing strenuous opposition from some countries in the Balkans, particularly Croatia (see “Barroso to Push for Regional Trade Pact” in *European Voice*, 23-29 March 2006).

Cooperation). The fact that these regional initiatives were formed by local actors has had advantages and disadvantages for the EU. On the one hand, inside-out regionalism has gives Brussels time and opportunity to calibrate its role in, and support for, the region. On the other hand, the existence of a caucus of regional actors acting through regional institutions has made the region not only a forum of cooperation, but also a counterpart, with its own agendas and goals that have in some instances complicated the EU goals in the region.

A case in point is the Northern Dimension Initiative (NDI), which was launched by Finland and adopted by the EU in 2000. As schematised in figure 3 below, the NDI is an initiative now managed by the European Commission through an Action Plan (the second one is currently running and due to expire in 2006), in which EU member states and third countries are equal partners in the cooperation. The bulk of the NDI financing over the past 6 years has come from EU assistance programmes such as PHARE, INTERREG, and TACIS. Regional institutions such as the CBSS and the BEAC have also been included in the NDI process.

The NDI has been a breakthrough in the methods of EU foreign policy, given its inside-out model and equal partnership of EU member states, candidate states and Russia. This owes much to the pre-existing formats of regional cooperation involving all states and regions. However when Poland and the three Baltic states approached accession the NDI saw an increasing focus on Russia as the only third country in the region. Indeed there is now a feeling is that the policy is sandwiched geographically and conceptually between the EU-Russia strategic partnership and the ENP, and struggles to find a meaningful niche.

Figure 3. the Northern Dimension Institutional Framework



In addition the existence of Baltic and Barents regional institutions and of a 'generous' Scandinavian core has often made coordination of regional activities with the EU rather complicated, leading to calls for streamlining of the cooperation. However

these calls have led to the creation of two mechanisms, the Northern Dimension Environmental Partnership and the Northern Dimension Partnership for Public Health and Social Well-Being, in which regional actors, donors and IFIs have joined forces and pooled resources on an agreed set of priorities.

### 3. Guidelines for an EU Initiative

The strengths and weaknesses of these several regional experiences provide some guidance for a possible EU initiative in the Black Sea.

From the Northern Dimension, an EU initiative for the Black Sea should draw on the 'joint ownership' factor, and solicit the commitment of local players and other major stakeholders operating in the region. On the other hand, an EU initiative should be warned by weaknesses of the NDI: its excessive focus on Russia, lack of financing, and an initial overlapping of activities and lack of coordination. The Stability Pact, on the other hand, has been more successful in pooling and coordinating the efforts of the international community and in 'branding' the region as a priority for Europe. As to the Barcelona process, while all its operational mechanisms can hardly serve as a model for the Black Sea, one should not underestimate the process of dialogue and confidence-building in the evolution of the Euro-Mediterranean Partnership. Moreover, an EU initiative for the Black Sea should avoid incurring in the kind of alienation of regional actors and critique of 'imposing' a strategy from the outside, which has tainted both the Stability Pact and the Barcelona Process.

It is suggested that an EU initiative should focus on promoting a multi-stakeholder, comprehensive regional synergy<sup>40</sup> in the Black Sea, as now set out in some detail.

#### 3.1 Priority sectors

A Black Sea synergy should be confined to those sectors that have a truly regional character. Many Black Sea regional initiatives so far have been characterised by long and vague lists of 'priorities' for action, with none turning out to be an actual priority. It is proposed therefore to concentrate on five sectors: environment, transport, energy, internal security and democracy promotion. For each of these five sectors existing regional initiatives and priorities for a Black Sea synergy are now reviewed.

##### Environment

In this sector, Black Sea cooperation has already achieved a high degree of institutionalisation, which over the years has been enriched by various new programmes and mechanisms: a Commission for the Protection of the Black Sea (based on the Bucharest Convention) with a secretariat in Istanbul, in which all six Black Sea littoral states are represented; a Black Sea Environmental Programme financed by the UN Global Environmental Facility (GEF), the EU and several donor countries; and a Black Sea Strategic Action Plan (BS-SAP) adopted by the six coastal states.<sup>41</sup> In 2001 European Commission launched in 2001 the DABLAS Taskforce, precisely to provide

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<sup>40</sup> The term 'synergy' was originally used in the only European Commission's Communication on *Regional Cooperation in the Black Sea: State of the Play, Perspectives for EU Action Encouraging its Further Development*, Brussels, 1997, pp. 12-13

<sup>41</sup> For a comprehensive analysis of these mechanisms see Lawrence Mee: "Protecting the Black Sea Environment: a Challenge for Cooperation and Sustainable Development in Europe" in Michael Emerson et al. *Europe's Black Sea Dimension*, CEPS, 2002.

regional environmental cooperation of a more precise direction and effective coordination. DABLAS aims to coordinate the actions of the Black Sea and Danube Commissions, Black Sea and Danube countries, bilateral donors, and international financial institutions: EBRD, EIB, and World Bank.<sup>42</sup>

Black Sea environmental cooperation as a result, however, has numerous priorities reiterated in documents and declaration, but no unified and workable agenda for implementation.

So far, the work of DABLAS has been primarily directed to implementing some 30 projects related to the EU Commission Water Framework Directive. A sensible goal for a Black Sea synergy should now be to integrate the comprehensive inter-sectoral approach of the Black Sea Commission (and of the BS-SAP therein) with the more effective implementation method of DABLAS. In other words, one goal should be to work on harmonising the DABLAS managerial model with the inter-sectoral BS-SAP approach and to contribute in this way to translate the BS-SAP into actual projects.

A second environmental priority regards the fishery sector, which poses a number of important environmental and economic challenges to which only a committed action of all the littoral states can provide answers. The state of the play in this field looks rather bleak. Romania and Bulgaria have accepted the Common Fisheries Policy *acquis*, which will apply from the day of their accession to the EU. Yet, there is at present no bilateral fishery agreement among Black Sea neighbours and no comprehensive assessment of the Black Sea fishery stocks. Moreover, a Black Sea Fishery Convention has been drafted for the six littoral countries but negotiations have not been progressing for some years now.

From a pragmatic perspective, rather than promoting this convention-in-the-making, it is preferable to support implementation of the existing General Fisheries Commission for the Mediterranean established under the aegis of the Food and Agriculture Organisation. This Commission has its responsibilities extended also to the Black Sea and interconnecting waters and its membership includes, besides the Mediterranean states, also Romania, Bulgaria, Turkey and the EC. In view of the forthcoming EU enlargement towards Bulgaria and Romania, twinning and joint research activities already ongoing in the GFCM context should be gradually expanded to the Black Sea.

### **Transport**

The effectiveness of the transport sector in the Black Sea area is hindered by a plethora of factors: from road safety to blockages and security of routes in conflict-ridden zones. A transport strategy for the region should be carved out of three initiatives and processes currently under way. The first, in chronological terms, is the Transport Corridor Europe-Caucasus-Asia (TRACECA), which was launched in 1993 and now covers 14 central Black Sea and Central Asian countries, all of which, except from Turkmenistan and Mongolia, signed a Multilateral Agreement.

Second, the European Commission initiated a process which is known as the Baku Process, from the location of a conference in November 2004, in which Black Sea

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<sup>42</sup> See the DABLAS Task Force webpage at: [http://europa.eu.int/comm/environment/enlarg/dablas/index\\_en.htm](http://europa.eu.int/comm/environment/enlarg/dablas/index_en.htm)

and Caspian Sea representatives gathered to discuss transport issues in the region. The meeting produced a Concept Paper in which TRACECA is identified as the “co-ordination mechanism to develop and strengthen transport co-operation”.<sup>43</sup>

Third, there is the work undertaken by the High Level Group of Experts from the EU25 plus 27 neighbouring countries on the extension of the Trans-European Networks to the neighbours. The High Level Group addresses five major transnational axes in the entire European neighbourhood. The Black Sea is sandwiched between two of these: the ‘Central Axis’ including the Northern Black Sea (linking Central Europe to Ukraine) and the ‘South-Eastern Axis’ including the Southern Black Sea (linking the Balkans; Turkey; Caucasus and Caspian).<sup>44</sup>

Drawing on these existing processes, three regional priorities for Black Sea strategy in the transport field can be identified:

- **Infrastructures:** future regional investments should be consistent with the projects identified by the High Level Group for the Central and South-Eastern Axes.
- **Interoperability:** this refers primarily to the approximation of standards and, more generally, to the lowering non-physical barrier to transports (customs controls and procedures; delays in ports; consignment notes for rail transport).
- **Intermodality:** this refers to the need to facilitate transfers from one mode of transport to another (road-rail-sea), and involves feasibility studies and investment in multimodal logistics.

### **Energy**

Energy is the sector in the Black Sea Region where the geo-strategic implications for the EU are most visible and urgent. The EU is notoriously dependent on oil and gas imports from Russia, the Middle East and North Africa, up to an estimated 70% of its total supply by the year 2030. The Black Sea is a crucial transit area since about half of Europe’s energy imports are expected to cross the region in coming the years.<sup>45</sup>

Most Black Sea states have major stakes in the energy sector, from Russia’s huge production and transit interests, to Turkey’s ambition to become Europe’s fourth energy supply ‘artery’, to Georgia, Romania and Ukraine’s roles in oil and gas transits.

Although EU energy relations with its neighbours have primarily a bilateral nature, a regional approach has been timidly fostered over the past decade. The Interstate Oil and gas to Europe (INOGATE) has provided an institutional umbrella agreement for 21 countries which has been operational, although not very effectively, since 2001. Like in the transport sector, the Baku process initiated by the Commission groups Black Sea and Caspian Sea countries (with the participation of EBRD as an

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<sup>43</sup> Experts’ Working Group Baku Ministerial Conference *Concept Paper on Transport Co-operation between the EU, the Black Sea /Caspian Littoral States and their Neighbouring Countries*, 2004.

<sup>44</sup> The Black Sea is also included in the ‘Motorways of the Seas’ concept, a transnational axis linking the Baltic, Barents, Atlantic Mediterranean, Black and the Caspian Sea areas. See European Commission: *Networks for Peace and Development: Report High Level Group Chaired by Loyola de Palacio*, Brussels, November 2005.

<sup>45</sup> See Marius Vahl and Sergiu Celac “Elements for an EU Strategy towards the Black Sea Region”, paper unpublished, p. 16

observer) and acknowledges the role of INOGATE as the coordination mechanism for supporting enhanced cooperation in the field of energy.

Unfortunately, as some analyst has been quick to point out,<sup>46</sup> the long-awaited Commission's Green Paper on energy of March 2006<sup>47</sup> adds very little on the role of the Black Sea Region in the EU energy strategy. The political sensitivity of energy questions may have made the Commission somewhat reluctant from taking a bolder stand at this stage. On the other hand, a more pronounced assertiveness towards Moscow seems to have emerged after the energy-related incidents of early 2006, as confirmed by the current discussion in the G8 context on Russia's ratification of the Energy Charter and of its Transit Protocol.

This assertiveness should now be translated into deeds also at the regional level. A Black Sea synergy in the energy sector should logically be driven by the need to diversify gas and oil transit from Russia-dominated routes. At the Black Sea regional level, the Commission should muster both the diplomatic and technical support to finance and implement transit projects strengthening diversification.<sup>48</sup>

In the case of oil transit, there are the currently underexploited routes leading to Azerbaijan and Kazakhstan. One of the most attractive projects is the extension of the Odessa-Brody pipeline through Poland to the West and by sea and pipeline through to Kazakhstan to the East. Another project deserving support is the proposed Constanta-Adriatic pipeline, for which an implementation agreement was signed in February 2006.<sup>49</sup>

As far as gas transit is concerned, the EU supports the Nabucco pipeline project, which would transport gas from the Caspian Sea through Turkey, Bulgaria and Romania, to reach Austria and, possibly, other Central European countries. However there are a number of uncertainties surrounding this project, including the adequacy of supplies and even the level of energy demand in South- Eastern Europe given long-term agreements signed by several countries with Russia.<sup>50</sup> The Nabucco project would depend on additional gas diversification options, such as the expansion of the Shah Deniz (Azerbaijan)-Tbilisi-Erzurum (Turkey) pipeline.

### **Internal Security**

The sector here broadly defined as 'internal security' includes a range of issues, including migration, trafficking, border management etc.<sup>51</sup> The EU does not so far have major regional initiatives focusing on this field. However by way of bilateral initiatives the ENP Action Plans for Moldova and Ukraine have both a significant section on Justice and Home Affairs. In the Ukrainian case, a very advanced EU JHA Action Plan

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<sup>46</sup> Vladimir Socor: "European Union's Energy Paper: a Muffled Call to a Slow Wake up" in Euroasia Daily Monitor, 27 March 2006.

<sup>47</sup> European Commission: "A European Strategy for Sustainable, Competitive, and Secure Energy, Green Paper, Brussels, march 2006.

<sup>48</sup> Here environmental considerations adds up to geo-politics, in consideration of the strains which oil-tankers put on the overcrowded Bosphorous straits.

<sup>49</sup> See Romanian National News Agency "Constanta-Trieste Oil Pipeline is approved" at Romanian MFA Webpage <http://crib.mae.ro/index.php?lang=en&id=31&s=5851&arhiva=true>

<sup>50</sup> See for instance: Agata Loskot Strachota "Russia's Response to the Nabucco Pipeline Project" 16 March 2006 available at <http://www.freerepublic.com/focus/f-news/1603076/posts>.

<sup>51</sup> Interview with the author at the European Commission.

is in place already since 2001. Similar content may be expected in the forthcoming ENP Action Plans for Armenia, Azerbaijan and Georgia. When these five Action Plans are completed it would be opportune to consider the scope for an enhanced regional aspect. The Action Plans do make frequent references to existing multilateral mechanisms, such as the OSCE Action Plan to Combat Trafficking in Human Beings or the Council of Europe Group of States Against Corruption (GRECO), both of which include many Black Sea countries.

As to regional government-driven initiatives, two relevant BSEC agreements on organised crime (since 1998) and on emergency assistance and emergency response to natural and man-made disasters (since 2003) have been signed. Romania has played a leading role in other regional endeavours in this field, such as the South Eastern Cooperative Initiative (SECI) on prevention and combating trans-border crime.

In view of these initiatives, a broadly defined crime prevention focus looks like a feasible priority for a Black Sea regional cooperative initiative. This could concentrate on:

- Exchange of information among relevant agencies in the littoral states and in the EU (border guards, police, migration departments; tax authorities);
- Strategic assessments on organised crime networks in the region;
- Establishment of region-wide standard for storing, sharing and communicating data and intelligence.<sup>52</sup>

### **Democracy**

Questions pertaining to human rights protection, rule of law, media freedom and transparent economic governance rank high in the ENP action plan not to mention, of course, the enlargement negotiations with Romania, Bulgaria and Turkey. BSEC has made of good governance and ‘institutional renewal’ a feature in its ministerial declarations and long-term planning. Over the past few years, moreover, the organisation has even convened brainstorming sessions on these matters with the participation of European Commission and Member States. Yet, the degree of regional cooperation at the BSEC level has so far been lukewarm, even with the existence of the Black Sea Parliamentary Assembly. At this level a fundamental problem is Russia’s regress towards a less democratic state under the present Putin administration.

On the other hand, the Rose and Orange Revolutions of Georgia and Ukraine have led to the emergence of a serious ‘democracy club’ within the region, as confirmed by the formation of the Community of Democratic Choice (CDC) and of the new ODED-GUAM.

A Black-Sea synergy in democratic institutions and good governance should take stock of those experiences where high-level political commitment is emerging and contribute to give it substance. There has been one proposal for a CDC democracy review process<sup>53</sup>. This would be based on annual sessions in which the state of democratic governance in each CDC state would be reviewed on the basis of an

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<sup>52</sup> These points were developed by Liviu Muresan at a NATO workshop in Bansko, Bulgaria in April 2006.

<sup>53</sup> Emerson, Michael: “What Should the Community of Democratic Choice do?” CEPS Policy Brief No. 99, 2006.



independent review document by its partner countries, independent scholars, NGOs, and observers from the European Commission, interested EU Member States, the Council of Europe and the US.

The selection of real priorities means being clear on what are the non-priorities for cooperative work at the Black Sea regional level. Three examples are suggested, all of which are of the highest importance in their own right, but for which the Black Sea regional format is not best locus for fresh efforts:

- Conflict resolution and hard security issues. There are of course important so-called frozen conflicts whose resolution would help the whole region progress economically and politically, but it is not plausible to suggest that some regional forum might take on mediation functions that might do other than ongoing efforts of OSCE, UN and the major powers.

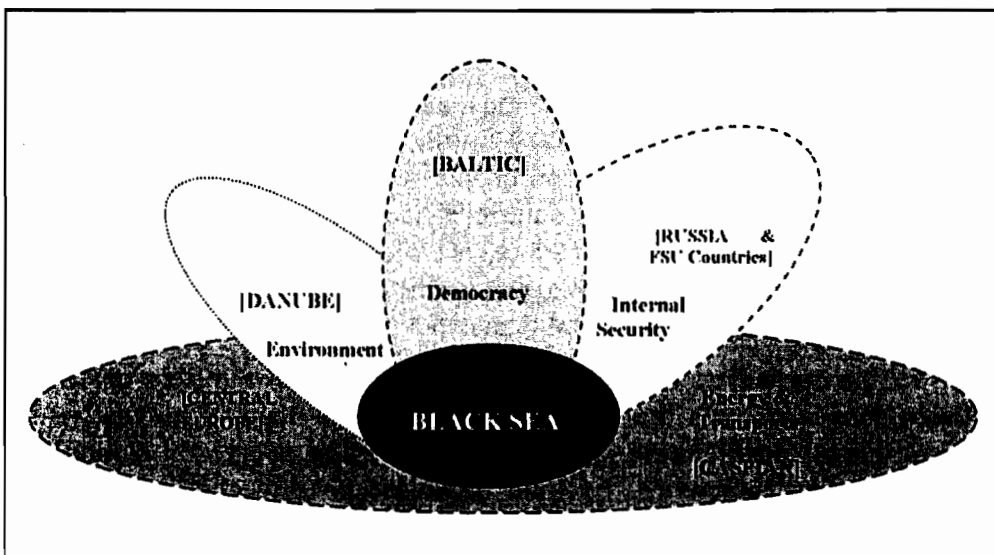
- Trade policy. Important initiatives such as regional free trade have been discussed, for example in BSEC, but where Black Sea states are a mix of EU member states and non-members regional free trade is not possible, unless all non-EU states agree together to free trade with the EU

- Education and culture. The regional specificity is not evident.

### 3.2 Variable Geometries

Variable geometry means having different geographic maps for different sectoral initiatives, but with a core group nonetheless consisting of Black Sea littoral states. However, as evident for the discussion above of priority sectors, there are clear functional needs in some cases to extend the map wider. This is schematised in Figure 4 below, where each sectors is indeed characterised by a specific map of geographic interdependence.

Figure 4. *The Variable Geometries of the Wider Black Sea Region (\*)*



(\*) Thanks are due to Michael Emerson for suggesting this figure

In the environmental case, Black Sea cooperation is defined by the broader catchment area, which includes the tributaries to the Sea, primarily the Danube, but also

the Dniepr and the Don. These are Europe's second, third and fourth longest rivers and major sources of land-based pollution in the Black Sea. Any form of coordinated work on the Black Sea environment has to be concerned with the impact on these rivers on the Sea's ecosystem. This is currently done in the DABLAS initiative, which includes the Danube, and could be a model mechanism to lead a Black Sea environmental programme.

In the transport and, most importantly, the energy sectors, the mapping of Black Sea regionalism has to account for geopolitical considerations. In both cases, the Black Sea is an East-West corridor connecting Central Asia and the Caspian with Continental Europe, and any proposal for strengthening cooperation should be inscribed within this broader scope. But the Black Sea is also a North-South corridor, as illustrated by the undersea Blue Stream gas pipeline that links Russia with Turkey. There is manifest competition between these two axes, which has geo-political as well as technical aspects. An optimal solution would see multiple routes that can compete under ordered economic rules, such as provided by the Energy Charter Treaty. If on the other hand Russia insists on trying to maximise its monopolistic position, then the EU and other energy importing or transit states will naturally want to work together to develop alternatives.

Russia's reserves over cooperating with schemes that it does not lead are illustrated by its absence from the TRACECA nor INOGATE programmes and its observer status (and a rather critical one) in the Baku processes.

The internal security activity would include all littoral countries, together with those former Soviet Union countries that are sources or transit countries of trafficking of weapons, drugs and human beings and other illegal activities (Azerbaijan and Central Asian states). However this internal security sphere would have to comprehend coordination of law enforcement and intelligence agencies between Black Sea countries and the EU and Western bodies (e.g. Interpol, Europol). BSEC could be favoured to lead the operational activities in this sector because of its comprehensive membership and several agreements already being signed on these matters among the member states.

In the democratic institutions field, the most active Black Sea states are Ukraine and Georgia, but their initiatives have stretched North-West to include the Baltic states in order to anchor democratic transformation on the wider Euro-Atlantic institutional system. In this context, the experience of countries that underwent a similar transition, such as the new EU and NATO member states, is a fundamental component for the regional cooperation. The CDC meets these requirements, and could occupy a clear operational niche, attracting financial and political support from its participants.

These variable constellations of interdependence in the five sectors reveal one further challenge connected with the scope of the proposed Black Sea synergy, the hazard of organisational proliferation. The Black Sea region is already a jungle of agreements, alliances, and acronyms. Existing organisations often have overlapping activities, and their composition reveals a number of soft-spoken rivalries and competitions within the region.. Variable geometries are crucial to make cooperation effective and to tailor activities to the most suitable geographical scope. At the same time, variable geometries should not encourage (nor ignore) this organizational proliferation, as well as the ensuing antagonisms and inefficiencies. In order to do this, a rationalisation of the activities of each organisation and an identification of a 'core

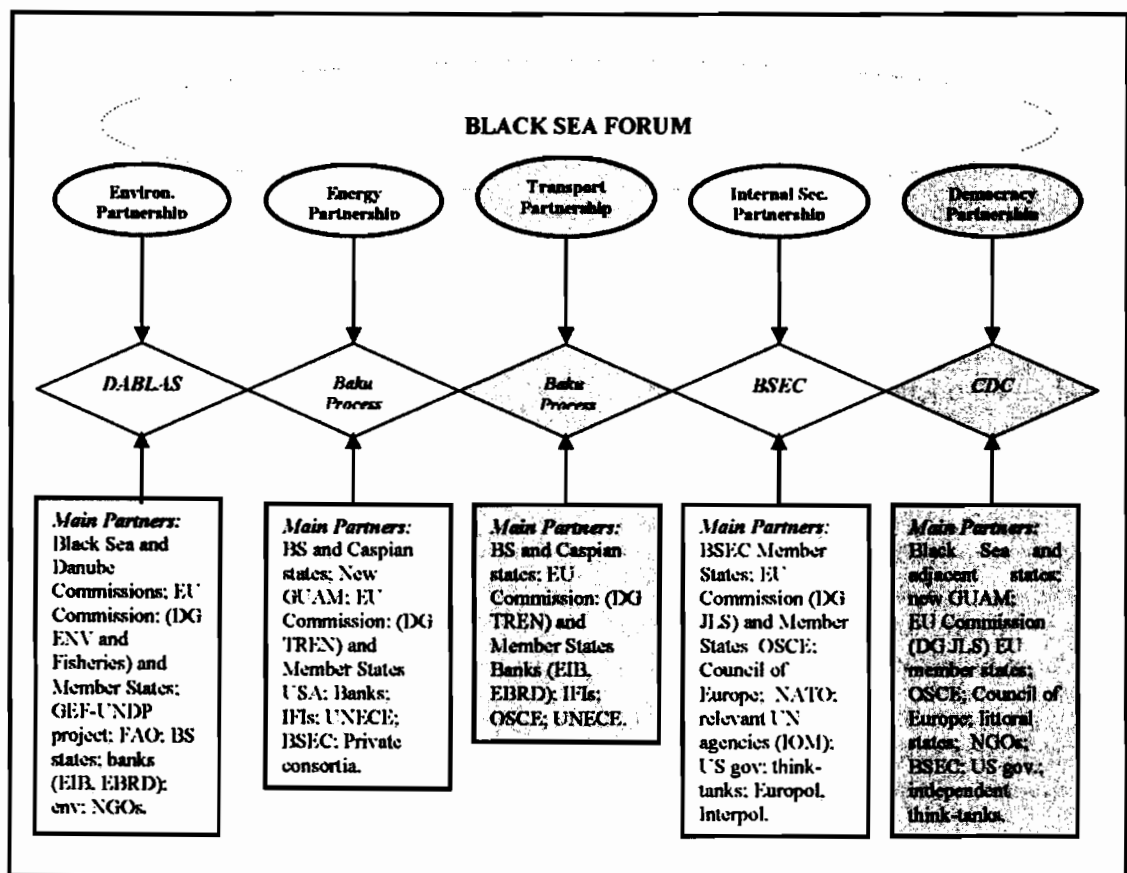
business' within each of them should be encouraged. This is intrinsic to the very idea of promoting a synergetic framework for Black Sea cooperation, which is at the heart of the next sub-section.

### 3.3 Framework

What could be the design of an overarching system of institutional and financial arrangements that should organise a Black Sea synergy? In order to pursue the multiple goals with multi-stakeholder leadership and flexible geographical scope, the institutional arrangement would be based on coordination mechanisms called Partnerships for each of the five sectors of regional relevance.

Each Partnership would be composed of senior officials representing actors that already operate in the region (a tentative list is proposed inside the squares in Figure 5): countries of the wider Black Sea area and those non-Black Sea states with a stake in specific Black Sea areas, the EU institutions, and international organisations and financial institutions operating in each sector (e.g. UN agencies, World Bank, EIB, EBRD). Non-governmental and business actors would be invited as observers in relevant partnerships (e.g. in environment, internal security and democratic institutions).<sup>54</sup>

Figure 5. Framework of a Black Sea synergy



Each partnership would have one driving actor or mechanism entrusted with the bulk of the coordinating work among all partners (in Figure 5, these are represented in

<sup>54</sup> This inclusive format is already being implemented in DABLAS.

the line of rhombuses in the middle). The European Commission would play a leading role in the more technical sectors (environment, transport and energy) by integrating existing initiatives (DABLAS, the Baku Process, TRACECA and INOGATE) more effectively with the activities of other actors. In the more political sectors (internal security and democratic institutions), the leadership role would have to come from the region itself.

As to financial mechanisms, specific Support Funds would be created for each Partnership, with each partner pledging funds in it (the model here could be the one of the Northern Dimension Environmental Partnership). Moreover, each Partnership would create a Project Investment Facility, similar to the one that is currently in place for DABLAS. These Facilities, in which actors financing and implementing projects are represented, would be entrusted with identifying projects and carrying out pre-feasibility studies for the projects that will converge in a three-year Black Sea Action Plan. Both the Project Investment Facilities and the EU contribution to the Support Funds could be financed under the forthcoming European Neighbourhood and Partnership Instrument (ENPI).<sup>55</sup> Notably, the ENPI will finance actions both inside and outside of the Union, which would be an important facilitating factor for such a multilateral mechanism involving EU member states, candidate and third countries.

The EU initiative for the creation of a Black Sea synergy would be launched by means of a new Communication on the Black Sea and be formally included in the European Neighbourhood Policy. The EU should give the process a kick-start by putting on the table an allocation from the ENPI for Black Sea regional projects, inviting a competition for these funds from project promoters.

Finally there should be an overarching political mechanism for setting discussing strategic proposals and priorities. Here the forthcoming Black Sea Forum, organised by Romania, and to be held in Bucharest on 5 June is maybe pointing the way. All actors operating in the region have been invited, and according to the Romania hosts this summit meeting aims at “evaluating existing instruments at regional and extra-regional level, establishing some regional and Euro-Atlantic priorities and initiating co-operation projects, by using the existing tools (especially BSEC), but also proposing new formats (more flexible, in formulas with variable geometries)”.<sup>56</sup>

The Black Sea Forum could, if given a regular yet non-institutionalised format, serve the needs of the overarching coordination mechanism at the political level. The home-grown leadership of this Forum, from a Black Sea littoral state is highly appropriate. For the future one could envisage that the individual Black Sea states take turns in hosting and organising an annual Black Sea Forum Summit, or meeting at least at foreign minister level.

Without something like this Black Sea Forum the five sectoral partnerships risk remaining unconnected between each other and with little or no strategic purpose. Moreover the strategic purpose should not be provided solely by the EU, but should

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<sup>55</sup> European Commission: Proposals for a Regulation of the European Parliament and of the Council Laying down General Provisions Establishing a European Neighbourhood and Partnership Instrument, Brussels 29 September 2004. The strategy proposed here would be covered primarily by Articles 6 and 17 on multi-country programmes and co-financing proposed in this document.

<sup>56</sup> This and the following quotation are extracted from the Romanian statement “Black Sea Forum: Charting Bright Ideas” distributed in anticipation of the Summit.

reflect the joint ownership and political commitment of the countries in the wider Black Sea, of governmental and non-governmental actors participating in the activities of the synergetic framework. In a statement introducing the June 5th Summit, it is noted for instance that “promotional activities, such as seminars, press conferences, essays contests are also envisaged”. This would prevent a Black Sea synergy from turning into a loose top-down format like the Stability Pact, and would prevent the often unproductive overlap between regional and EU initiatives characterising cooperation in Northern Europe. In this way, rather than representing fully-fledged unilateral strategy of the EU in the region, the proposed Black Sea synergy should constitute the EU’s substantial contribution to enhance comprehensive initiatives emerging from the region, such as the Black Sea Forum.

#### **4. Conclusions and Recommendations**

For over a decade, the Black Sea area has been characterised by various attempts to systematise and upgrade its regional cooperation. Several factors, such as the low level of interest of Black Sea countries for regional affairs, prickly bilateral relations between some of them, and Russia’s policies in the region, have prevented this from happening.

However, more recent developments such as the ‘coloured revolutions’ in Ukraine and Georgia, the 2004 enlargement of the EU and NATO and the establishment of the European Neighbourhood Policy have made the need for increased cooperation more difficult to ignore. This is especially the case for the EU, whose geo-strategic interests in the region have grown and will continue to grow in view of the forthcoming accession of Bulgaria and Romania.

On the basis of experiences acquired by the EU in other peripheral regions (the Mediterranean, the Balkan Stability Pact and the Northern Dimension), this study advocates an EU initiative for a comprehensive, multi-stakeholder regional synergy in the Black Sea area.

This Black Sea synergy would be built around ‘Partnerships’ in five priority areas: Environment, Energy, Transport, Internal Security, and Democracy. Each partnership would be composed of Black Sea states, other neighbouring states where operationally relevant, the EU, and relevant international organisations, IFIs and non-governmental actors. Financing pledged by members of each partnership would be collected in five Support Funds, to which the EU’s new European Neighbourhood Financial Instrument (ENFI) would make a notable contribution, and which will provide the means to implement a three-year Black Sea Action Plan.

Each Partnership would be led by the most plausible actor or mechanism. These are DABLAS for environment, the Baku Process for transport and energy, BSEC for internal security, and the Community of Democratic Choice for democratic institutions.

Overarching political coordination and the setting of priorities should be facilitated by annual Black Sea Forum summit meetings, hosted in rotating turns by individual Black Sea states. The 5 June summit in Bucharest hosted by Romania might be viewed as pointing the way.

To conclude, six qualities could be aimed at for the proposed Black Sea synergy:

- **Coordination:** the rationale should be that of streamlining and integrating already existing regional activities, institutions and mechanisms.
- **Pragmatism:** there should not be a long list of nominal priorities, but focus on feasible projects within each of five sectoral partnership.
- **Ownership:** the idea is to support credible initiatives emerging from the region and to encourage existing regional organisations, such as the BSEC, to specify and narrow down the core business of their activities.
- **Flexibility:** the geographical scope should vary according to the nature of the challenges.
- **Consistency:** this Black Sea regionalism should support the broader dynamics ongoing at continental and global levels: EU and NATO enlargements, ENP, energy security etc.
- **Visibility:** a synergetic framework organising Black Sea cooperation, coupled here with the Black Sea Forum, should send a signal about the importance that the EU attaches to the region.

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# **Chapter I**

*Energy Security in Europe:  
Perspectives from the Black  
Sea Region*



# Data Sharing: A Fundamental Need for Black Sea Region and European Security

Olcay KURSUN\*, Cabir ERGUVEN\*, Kenneth M. REYNOLDS\*

**Abstract:** With the increases in the computer technology, many law enforcement agencies store their data electronically in databases. However, every agency requires keeping the ownership of their data for obvious reasons, such as data security, data up-to-datedness, synchronization and reliability, simplicity of data management and policy making, and implausibility of centralized/global data control mechanisms. Police agencies find the computerized systems useful for simplifying bookkeeping and speeding up simple local searches; however, they do not find it very useful in alerting them to potential terrorists or other miscreants. Proponents point out that local crime data can lead to big breaks when shared. September 11 mastermind Atta was stopped for a traffic violation in Delray Beach, Fla., in mid-2001 -- but he was let go because officers did not know of a bench warrant for him the next county over due to lack of information sharing capabilities. Data sharing is of grave importance to law enforcement and it must be understood with the issues it brings along, such as distributed and compound queries, dirty data, and assessment and evaluation metrics.

**Keywords:** Homeland security, terrorism, shared databases, information sharing, approximate name matching, dirty data, evaluation metrics, compound query, distributed query, FINDER.

## 1 Introduction

With the advances in computer technologies, large amounts of data are stored in databases that need to be efficiently shared, searched, and analyzed<sup>1</sup>. The terrorist attacks of "9-11" have lead to an increased emphasis on the use of information technology to facilitate information sharing among and between local, state, federal, and international agencies<sup>2</sup>.

Information sharing initiatives should include the integration of key data from internal systems to enable easy access to the needed data, ideally through one standardized user-interface. This finding has implications for national security and antiterrorism systems. As these systems grow in breadth to support security and antiterrorism efforts, they will include local, statewide, national, and even international data, thus adding complexity to both data and searches<sup>3, 4</sup>. For example, with the increased number of records that organizations keep the chances of having "dirty data" within the databases (due to aliases, misspelled entries, ethnic factors etc.) increases as well<sup>6, 7</sup>.

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\* Department of Computer Engineering, International Black Sea University, Tbilisi, Georgia, okursun@ibsu.edu.ge

\* Department of Computer Engineering, International Black Sea University, Tbilisi, Georgia, cabir@ibsu.edu.ge

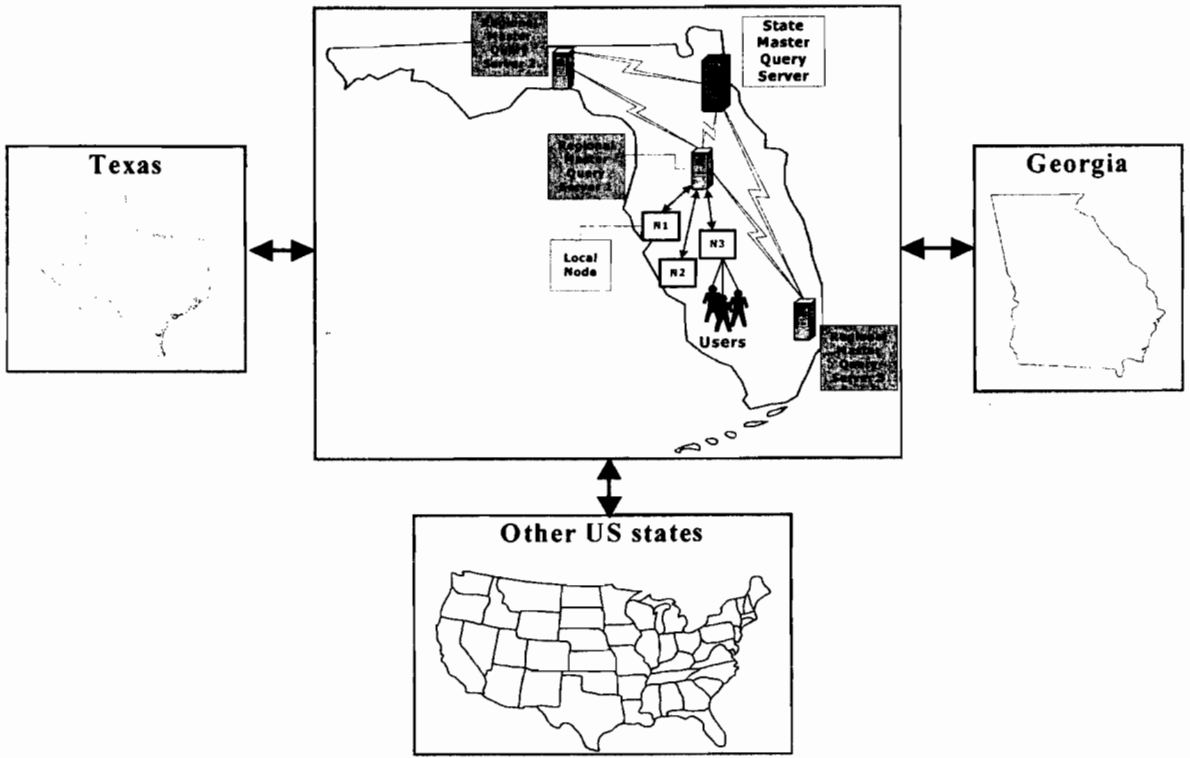
\* Department of Criminal Justice and Legal Studies, University of Central Florida, Orlando, FL, USA, kreynold@mail.ucf.edu

In this paper, we present a case study, FINDER, a working data sharing system in Florida and soon to be including other states of the United States. We believe in the Black Sea region and its prospective relations with the European Union data sharing will play an important role in taking necessary security measures. We describe FINDER in Section 2. In the subsequent sections, we stress the issues emerging as a result of sharing data, such as dirty data, compound queries and text mining, determining assessment and evaluation metrics. We conclude in Section 6.

## **2 The Operational Data Sharing Environment -- FINDER**

FINDER – the Florida Integrated Network for Data Exchange and Retrieval – has been a highly successful project in the state of Florida that has addressed effectively the security and privacy issues that relate to information sharing among more than 120 law enforcement agencies as of May 2006. It is operated as a partnership between the University of Central Florida and the law-enforcement agencies in Florida sharing data – referred to as the Law Enforcement Data Sharing Consortium. Utilizing a federated query framework, this software platform enables officers to search for information and reports from any agency within the system. The system uses a GJXDM-compliant (GJ stands for Global Justice standard) query middleware tier that is scalable, flexible, and low cost. The FINDER architecture is both dynamic (data is added to it continuously) and distributed (data and resources are distributed over a number of “FINDER nodes” = agencies). Figures 1 and 2 depict an overview of the FINDER system and a detailed configuration of a FINDER node. The existing FINDER system allows the law enforcement agencies to exchange data in efforts to prevent criminal activity and more efficiently solve crimes.

As of May 2006, FINDER has solved close to 400 documented criminal cases including burglaries, armed robberies, and attempted murder. Detectives report that without FINDER, these cases may have gone unsolved and violent and dangerous career criminals might still be on the streets. The interoperability that this system offers supports traditional crime suppression objectives and is crucial in this era of heightened domestic security. This system will allow access to an unmatched amount of information that was previously inaccessible. It can be utilized by every member of the agency. This information provides an opportunity for agencies to address crime control issues that cross jurisdictional boundaries. It can also save countless man-hours by allowing agency personnel to query a system to obtain information that they otherwise would attempt to obtain by making numerous and time consuming phone calls.



**Figure 1:** The general overview of the FINDER network in Florida and expanded to other states

A major achievement of FINDER is the successful targeting of property offenders who routinely operate across city and county lines. For years, individuals would burglarize homes and businesses in one jurisdiction and then sell the stolen property in another city or county. With effective information sharing across jurisdictions, property detectives have the increased ability to locate stolen property and identify and apprehend these repeat offenders. Today, it is not uncommon for a burglar arrested through the use of FINDER to tell detectives that he thought he would go undetected by stealing in one county and selling in another. To date, over \$1 million in stolen property has been recovered through successful investigations driven by FINDER.

Detailed information about the organization of the data sharing consortium, success stories, and the FINDER software is available at <http://finder.ucf.edu>.

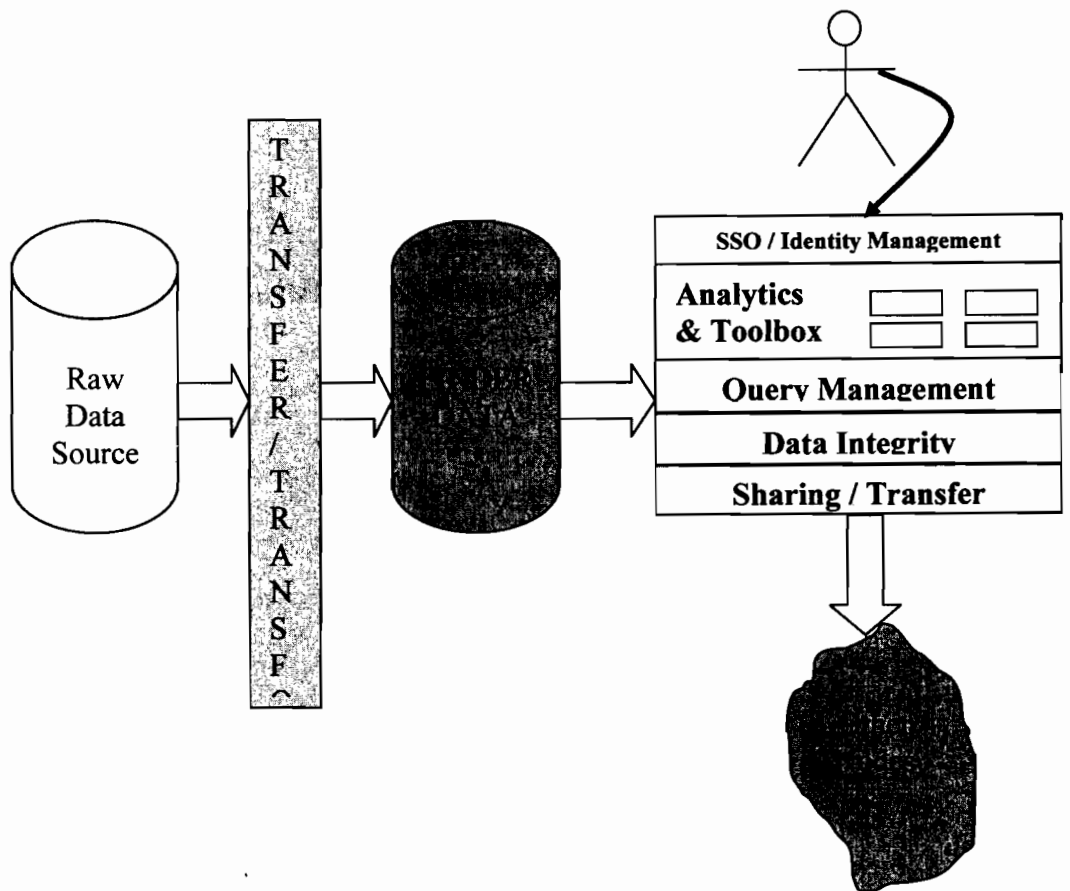


Figure 2: Detailed components of a FINDER node

### 3 Dirty Data: Practical and Ethnic Factors

Part of the constraints of the FINDER system and also most law enforcement records management systems is that once the data has entered into the system it must remain intact in its current form. This includes data that have been erroneously entered, and consequently they contain misspellings. In particular, in the presence of dirty data, a search for specific information by a standard query (e.g., search for a name that is misspelled or mistyped) does not return all needed information. This is an issue of grave importance not only in homeland security and criminology, but also in medical applications, GIS (geographic information systems), customer services, and so on. This problem was identified by the FINDER team and has also been substantiated in the literature<sup>6, 8, 9, 10</sup>. Therefore, prior to the implementation of any algorithm to analyze the data, the issue of determining the correct matches in datasets with low data integrity must be resolved. The problem of identifying the correct individual is indeed of great importance in the law enforcement and crime analysis arenas. For example, when detectives or crime analysts query for individuals associated with prior burglary reports, they need to be able to examine all the records related to these individuals, otherwise they might miss important clues and information that could lead to solving these cases.

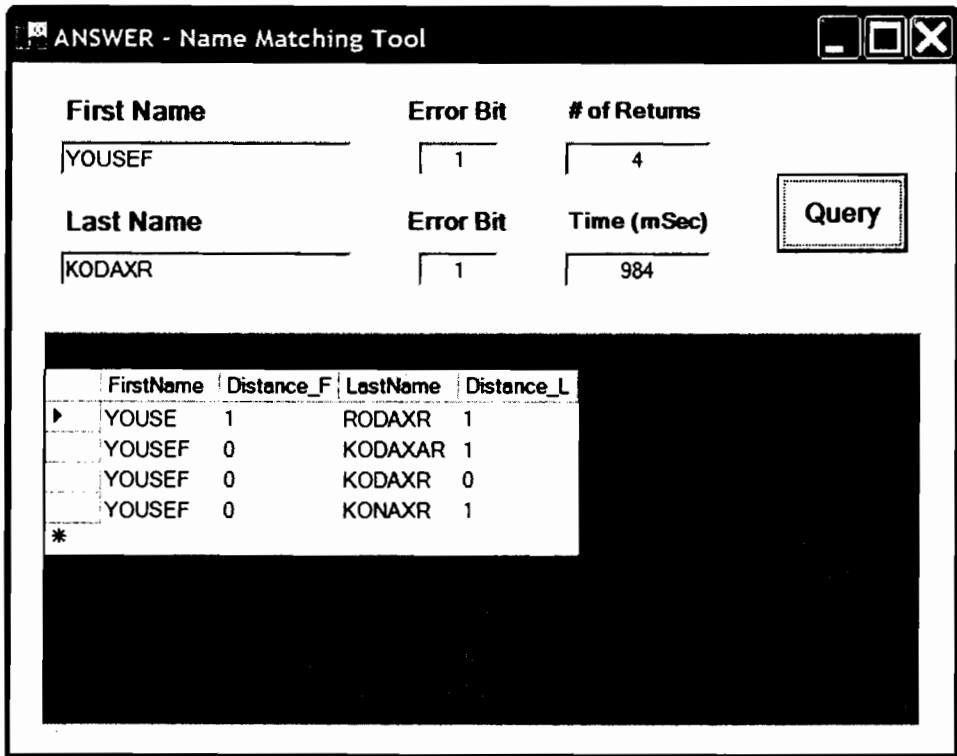
Incorrect data entries occur more frequently due to language differences in international data sharing or when the data consist of names of individuals from diverse ethnicities and languages; not to mention that criminals try to slightly modify their names and other information in order to deceive the law enforcement personnel and evade punishment, which is easier to manage when the suspects are foreign. Another reason is that for a large number of cases, the name information might come from witnesses, informants, etc., and therefore this information (for example the spelling of a name) is not as reliable as when identification documents are produced. This turns out to be an important issue in the field of counterterrorism, where a lot of information comes from sources that might be unreliable, but which still needs to be checked nevertheless. It is evident then that it is imperative to have an efficient and accurate name matching technique that will guarantee to return all positive matches of a given name.

A simple illustration related to name matching, utilizing dirty data available in the FINDER system, is shown in Table 1, which emphasizes both the level of data integrity and the challenges of using standard SQL queries to retrieve records from a law enforcement database (also known as merge/purge problems<sup>10</sup>). In Table 1, we are depicting the results of an SQL query on “Joey Sleichman”. An SQL query will miss all the records but the first one. The other records could be discovered only if we were to apply an edit distance algorithm<sup>11</sup> on all the existing records in the database, an unsuitable approach though, due to its high computational complexity, especially in large databases. In particular, the rest of the records (besides the exact match), shown in Table 1 were identified by comparing the queried record (“Joey Sleichman”) against all records in the database (by applying the edit distance approach). The Last Name, First Name, DOB (Date of Birth), and Sex were used as parameters in this search. In order to detect the matching records, we assigned weights to the fields: Last Name (40%), First Name (20%), DOB (30%), and Sex (10%). We used the edit distance algorithm<sup>11</sup> for determining the degree of match between fields.

**Table 1.** Example of the Data Integrity Issues within the FINDER data.

Last Name	First Name	DOB	Sex	Match
<u>INPUT QUERY:</u>				
SLEISCHMAN	JOEY	1/21/1988	M	≥ 85%
<u>MATCHING RECORDS:</u>				
SLEISCHMAN	JOEY	1/21/1988	M	100%
SLEICHMAN	JOEY	7/21/1988	M	91%
SLEISCHMANN	JOSEPH	1/21/1988	M	88%
SLEISCHMANN	JOSPEH	1/21/1988	M	88%
SLEISHMAN	JOEY		M	87%
SLEISCHMANN	JOEY		M	87%
SLEISHCHMANN	JOSEPH	1/21/1988	M	86%
SLESHMAN	JOEY		M	85%

As it can be seen in Table 1, the edit distance algorithm provides an excellent level of matching, but the algorithm requires a full table scan (checking all records in the database). This level of computational complexity makes it unsuitable as a technique for providing name matching in applications, such as FINDER, where the number of records is high and consistently increasing. For detailed analysis of name matching techniques and a method proposed to alleviate this complexity, refer to Kursun et al. 2006 (see Figure 3).



**Figure 3:** A simple implementation of ANSWER (Approximate Name Search With ERrors) in FINDER environment. *Error Bit* specifies how many edit errors can be tolerated in the search. *Distance* tells how many edit errors are actually present in the returned names for both *First Name* and *Last Name*, respectively.

#### **4 Compound Queries: Theoretical Factors and Database Design**

The advanced search capabilities must allow a user to query the persons, vehicle and pawn data bases with a single query. This query must allow the user to make inquiries regarding a person, vehicle or pawned item and receive a return that identifies possible suspects and/or relationships to each other. This must include how each is related to each other. Example: A user can make a query on a Hispanic male, 5'-6", tattoo right arm, driving a red pickup truck and receive a return of all Hispanic males, 5'-6" with a tattoo on the right arm and associated with a red pickup truck.

Currently, in many law enforcement databases, if not all, a big problem associated with mining the data for terrorist activities or cells is that there are no explicit data fields that indicate whether an incident relates to terrorism. While there are efforts in law enforcement agencies to close this gap of not collecting the useful data in regard to terrorism, or collecting the data inefficiently into unstructured text in the narratives, in the literature there are research efforts to make the best use of whatever data available in narratives by moving the unstructured text into structured form (i.e. fields of the database), which involved natural language processing and understanding. However, generalized autonomous natural language understanding is beyond current computational methods. The problem is currently undecidable in the general case, and intractable even for well defined corpus of any scope. There are three basic methods used to overcome this problem: limit word meanings, limit the corpus size, and limit sentence structure. Limitations on word meaning reduce ambiguity and allows for more precise sentence parsing and extraction of meaning from the sentence. Limitations on corpus reduce the time required to establish the structural and semantic role of individual words within statements. Limitations on sentence structure reduce the ambiguity of sentence structures (so called structural and deep structural ambiguity) and allow more precise comprehension of semantics by extricating syntactic and semantic forms.

#### **5 Assessment and Evaluation Metrics: Bureaucratic Factors**

In order to assess the performances of a data sharing system, metrics must be determined. These measures have emerged as results of not only academic interpretation but also with discussions with police agencies and criminal justice experts in the consortium. Below, we list a number of metrics, some of which are already employed and some are yet to be implemented in our FINDER system to measure the success of the analytical and data integrity tools developed. They are distinguished in three categories: Process Measures, Performance Impact/Outcome Measures and Usability Measures. Process measures are statistical measures that are relative easy to collect and simply require the manpower to perform the collection tasks. Performance Impact/Outcome measures require significantly more thought in their design in order to be appropriately measured. In many cases, indirect measures may have to be employed to effectively gauge these measures. Usability measures can be measured by collecting direct user feedback, both through the system and through user surveys and focus groups.

### **i) Process Measures**

1. Number of search tasks completed
2. Amount of time for completing search tasks
3. Number of journal entries detailing search experiences
4. Number of jurisdictions/agencies using the system
5. Type of data available on system
6. Training provided on system
7. Number of cases with missing data when data should exist

### **ii) Performance Impact/Outcome Measures**

1. Change in user job performance (e.g., cases cleared, investigations conducted)
2. Change in productivity level (e.g., decrease in time to search for information)
3. Change in accuracy of information obtained
4. Effectiveness of information (e.g., in reducing crime, solving crime)
5. Change in time to obtain information
6. Change in time for case processing
7. Change in ability to apprehend suspects or clear cases or make arrests

### **iii) Usability Measures**

1. Level of satisfaction concerning interaction with the system
2. Efficiency of computer screen design use for task completion
3. Organization of information on the computer screen
4. Ability to find information
5. Level of effort required to use system  
(e.g., the amount of time taken to complete a task)
6. Level of ease in learning how to use the information sharing system
7. Navigation ease for obtaining information
8. Time to complete a task

## **6 Conclusions**

In this paper, we presented a data sharing case study, FINDER, that is currently employed in Florida and has real data from law-enforcement databases. FINDER (the Florida Integrated Network for Data Exchange and Retrieval) has been a highly successful project in the state of Florida that has addressed effectively the security and privacy issues that relate to information sharing among more than 120 law enforcement agencies as of May 2006. It is operated as a partnership between the University of Central Florida and the law-enforcement agencies in Florida sharing data – referred to as the Law Enforcement Data Sharing Consortium. Data sharing is a must-have technology in today's world; however, there are bureaucratic (e.g. local or central data ownership, evaluation and assessment), theoretical (e.g. topology of the network, the node and query architectures), and practical issues (e.g. dirty data) need to be thought through. In this paper, we addressed some of these issues in the light of our experiences with FINDER. We believe that the Black Sea region will soon need to develop and use efficient data sharing systems and address these issues.



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## Fading Radiance: Bulgaria's Power Loss and the Regional Implications

Mark CARPER\*, Gergana MILADINOVA, Zdravko GEORGIEV

**Abstract:** Despite the dearth of a significant domestic supply of energy resources, Bulgaria is well positioned as an energy hub for Southeast Europe, a position it has worked to achieve and continues to work to maintain. Successfully fulfilling this role requires tackling many demands: the growing regional demand for a reliable supply of electricity, maintaining transit facilities for the movement of primary energy to Western Europe, reducing harmful emission involved with secondary energy production, and satisfying the needs of a domestic population struggling to meet the increasing costs that accompanies privatization. This paper addresses these complex variables and Bulgaria's efforts to satisfy these multiple energy needs.

As Bulgaria is welcomed into the fold of the European Union on January 2007, it loses a vital component that has allowed it to stand out in the Balkan's energy field. In an agreement for accession into the European Union, reactors three and four (with a combined capacity of 880 megawatts) of Bulgaria's only currently operating nuclear power plant, Kozlodui, will be decommissioned by the end of the year.<sup>57</sup> Amidst a storm of controversy over safety and political maneuvering, the first two of its six reactors were decommissioned in 2002. The debate over reactors three and four has been no less contentious.<sup>58</sup> But the dye has been cast, and now Bulgaria and its neighboring countries must deal with the consequences. While concern over public health has been a key issue in many of the debates, money and competitive positioning gets the most press. Responsible for more than forty percent of electricity production in Bulgaria, nuclear power has allowed Bulgaria to become an energy exporter, accounting for between 50 and 90% of the exported electricity in Southeast European in the last five years.<sup>59</sup> Kozlodui has two additional reactors of a more modern design and larger in size (each 1000MW) which will remain in operation, and nuclear energy will continue to be a part of Bulgaria's energy mix. However, with the impending decommissioning, the country's rank as fourth largest exporter of electricity in Europe, its position as an energy hub in Southeast Europe, and its ability to bring in foreign currency is seriously weakened.<sup>60</sup> There are plans to make up for this shortfall, but it will take time. And until this lost production is replaced, what will be the immediate and long-term consequences?

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\* Mark Carper is an Assistant Professor of Geography at the University of Alaska Anchorage; Gergana Miladinova is a Doctoral Candidate and Research Assistant in the Department of Environmental Sciences and Policy at the Central European University, Hungary; Zdravko Georgiev is a Doctoral student at the Technical University in Sofia, Bulgaria and works as an engineer and specialist for the Sofia Energy Agency (SOFENA).

<sup>57</sup> Xinhua (11 March 2006) "Bulgaria may suspend electricity export after 2007: officials say", <http://www.chinaview.cn/index.htm>.

<sup>58</sup> Novinite.com (2 December 2002). "Rally against Closure of Nuke Units 3,4 in Downtown Sofia Today."

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<sup>59</sup> Platts (2006) Bulgaria faces an expected supply crunch, [http://www.platts.com/Electric%20Power/Resources/News%20Features/easteurope/bulgaria\\_profile\\_3.xml](http://www.platts.com/Electric%20Power/Resources/News%20Features/easteurope/bulgaria_profile_3.xml).

<sup>60</sup> EBR (25 July 2006). "Plant closure will result in significant shortage of Bulgarian generation capacity", *Energy Business Review*, [http://www.energy-business-review.com/article\\_feature.asp?guid=4A2E9A4B-3E3F-4D34-B72E-DA9157718351](http://www.energy-business-review.com/article_feature.asp?guid=4A2E9A4B-3E3F-4D34-B72E-DA9157718351).

## Sudden Impact

The most direct effects of the closure will be a loss of foreign capital for Bulgaria and another hike in the price of electricity, although the reasons behind this remain questionable. Bulgaria's 2001 income for electricity sales reached \$150 million US dollars, and it is estimated that the state will lose out on two billion in US dollars after the closure of the reactors.<sup>61</sup> It's unclear how the state plans to make up for the lost revenue, and perhaps the loss will need to be chalked up as the cost of doing business with the EU. But it's not a situation in which the state feels comfortable, and the wheels are already in motion to modify the condition. The plans are to complete construction of another nuclear power plant further downstream along the Danube in Belene, and to build a new coal-fired thermal power plant and rehabilitate existing plants in the Maritsa Iztok cluster in Southeast Bulgaria. The thermal power plants provide for use of domestic fuel, the lignite coal that is so abundant in Bulgaria. As of June 2006, sod has been turned on the new Maritsa Iztok I Thermal Power Plant. Its production capacity will surpass three quarters of what will be lost with the decommissioning of reactors 3 and 4, but full operations are not estimated to begin until 2009. And there are thoughts of adding a new high capacity unit to one of the existing plants, the Maritsa Iztok III.<sup>62</sup> But there is still a gap in time before the new plants are on line and the existing ones receive a much needed refurbishment.

Belene seems to be a sure deal, and, following a suspicious tendering process accused of favoritism attached to parallel negotiations about gas imports,<sup>63</sup> a Russian firm was finally offered the contract, with Bulgaria able to retain majority interest in the plant.<sup>64</sup> The completion of the Belene Nuclear Power Plant has the support of the government and the majority of the population, primarily because it is seen as a way of keeping generation capacity high, of helping to meet Kyoto Protocol allotments of carbon dioxide emissions without sacrificing production, and of allowing Bulgaria to retain its Balkan energy hub status. But the commissioning of the Belene Nuclear Power Plant is not expected until 2012.<sup>65</sup> Once all these stations are in operation, electricity production is predicted to exceed current levels. Initially, there will be a greater dependency on hydropower and renewable energy sources until new thermal and nuclear generation can come on line.<sup>66</sup> In the meantime, the National Electricity Company (NEC), the state majority owned private company responsible for the purchase and distribution of electricity as well as trade negotiations, will be placing its hopes in the Tsankov Kamuk hydropower plant, a facility that has faced numerous problems and is in need of rehabilitation.<sup>67</sup>

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<sup>61</sup> EIA (2006). "Country Analysis Briefs, Southeast Europe", Energy Information Administration, [http://www.eia.doe.gov/emeu/cabs/SE\\_Europe/Electricity.html](http://www.eia.doe.gov/emeu/cabs/SE_Europe/Electricity.html).

<sup>62</sup> Vatahov, I. (26 June 2006) "Bulgaria's Reactor Closure Aftershocks", *Sofia Echo*, Bulgaria.

<sup>63</sup> Ibid.

<sup>64</sup> Sofia Echo (7 August 2006). "Bulgaria Requests Better Offers for Power Plant Construction," Business Report. [http://www.sofiaecho.com/article/bulgaria-requests-better-offers-for-power-plant-construction/id\\_16877/catid\\_23](http://www.sofiaecho.com/article/bulgaria-requests-better-offers-for-power-plant-construction/id_16877/catid_23).

<sup>65</sup> Vatahov, I. (26 June 2006) "Bulgaria's Reactor Closure Aftershocks", *Sofia Echo*, Bulgaria.

<sup>66</sup> NEK (2005). Generation Development Forecasts, <http://www.nek.bg/cgi-bin/index.cgi?l=2&d=1227>.

<sup>67</sup> Vatahov, I. (26 June 2006) "Bulgaria's Reactor Closure Aftershocks", *Sofia Echo*, Bulgaria.

But it's not just the state and the NEC that will feel a pinch. Like death and taxes, higher electricity prices in Bulgaria seem to be a sure thing. Utility price adjustments in Bulgaria have occurred almost annually since macroeconomic stability was achieved following the economic crisis of 1997.<sup>68</sup> Electric generation and distribution companies alike are in the process of being sold and rehabilitated. The capital outlay for such projects needs to be recouped, and these expenditures are invariably passed on to consumers. In fact, much of the privatization of the energy industry in Bulgaria has been possible only through foreign investment, and these international companies must deal with the expense of dilapidated equipment and infrastructure as well as theft, a result of nation-wide economic stress.<sup>69</sup> Despite hopes of delaying an electricity price hike,<sup>70</sup> an increase arrived a few months prior to the scheduled closure.<sup>71</sup>

Many experts claim that the closure of Kozlodui will lead to increase in the price of electricity. For example, the Executive Director of NEC said the company expects sharp increases of the price of electricity due to the liberalization of the energy market.<sup>72</sup> Import revenues are used by NEC to cover the losses that the firm has at the internal market because it sells the electricity to the recently privatized electricity distribution companies at a lower prices. According to him, this would mean that the price at which NEC sells its electricity should be increased by 30%. However, with the competitive character of a liberalized energy market, this would be difficult to achieve. Other sources predicted that after decommissioning of reactors 3 and 4 the price of electricity from Kozlodui will rise more than 50%<sup>73</sup> and NEC will then transfer this expense on to the end consumer, an increase estimated to be from 10%<sup>74</sup> to 17%,<sup>75</sup> although there is great suspicion that the closure will be used as a justification for price increase even if its effect is minimal.

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<sup>68</sup> Assenza, G. (2002). Promoting Energy Efficiency in Economies in Transition: the Case of Bulgaria, The Fridtjof Nansen Institute, Postboks 326, N-1326 Lysaker, Norway.

<sup>69</sup> Sofia Echo (17 August 2006). "CEZ invests 80 million leva in energy developments in Bulgaria", Business Report, [http://www.sofiaecho.com/article/cez-invests-80-million-leva-in-energy-developments-in-bugaria/id\\_17094/catid\\_67](http://www.sofiaecho.com/article/cez-invests-80-million-leva-in-energy-developments-in-bugaria/id_17094/catid_67).

<sup>70</sup> Sofia Echo (7 July 2006). "Bulgaria Searches for Ways to Delay Electricity Price Hike", [http://www.sofiaecho.com/article/bulgaria-searches-for-ways-to-delay-electricity-price-hike/id\\_16421/catid\\_67](http://www.sofiaecho.com/article/bulgaria-searches-for-ways-to-delay-electricity-price-hike/id_16421/catid_67).

<sup>71</sup> Sofia Echo (14 August 2006). "Power Operator Restructuring Approved", [http://www.sofiaecho.com/article/power-operator-restructuring-approved/id\\_17000/catid\\_23/search\\_1](http://www.sofiaecho.com/article/power-operator-restructuring-approved/id_17000/catid_23/search_1).

<sup>72</sup> Mediapool, March 29, 2006, <http://mediapool.bg/show/?storyid=115840>.

<sup>73</sup> SEEurope.net (10 March 2004). "Electricity Prices Up by 17% after the Closure of Units 3 and 4 of NPP Kozlodui", [http://www.bulgaria-gateway.org/en/browser.php?state=content&id=1667&type=article&lang=en&topic\\_id=1&cur\\_pos=](http://www.bulgaria-gateway.org/en/browser.php?state=content&id=1667&type=article&lang=en&topic_id=1&cur_pos=).

<sup>74</sup> Vatahov, I. (26 June 2006) "Bulgaria's Reactor Closure Aftershocks", *Sofia Echo*, Bulgaria.

<sup>75</sup> See 16.

While prices that reflect the cost of production carries many benefits (more equitable distribution of funds and greater incentives for efficiency), the unfortunate part is that wage increases in Bulgaria, as well as the neighboring countries, have not kept pace with inflation.<sup>76</sup> The net result is that a greater share of household budgets is going toward energy expenditures,<sup>77</sup> further burdening an already stressed population. The International Monetary Fund (IMF) recently announced that Bulgaria is likely to remain one of Europe's poorest nations even after accession into the Union.<sup>78</sup>

## The Neighbors

And let us not forget that many of the adjacent countries will suddenly lose a valuable energy supply. Although Greece has had an increase of nearly 50% in generating capacity since 1993, there has also been a matching increase in demand, and Greece remains a net electricity importer.<sup>79</sup> Most of their generation is accomplished via thermal power plants burning lignite coal, but hydroelectric production has doubled and the use of renewables (geothermal, wind, biomass) has increased tenfold, although still accounting for less than 2% of total generation. In 2003, electricity imports, at 4200 gigawatt-hours, accounted for more than 7% of total consumption,<sup>80</sup> arriving not only from its Balkan neighbors to the north (Albania, Macedonia, and Bulgaria with a combined capacity of 600 megawatts) but also from Italy (with a capacity of 500 megawatts via an underwater cable).<sup>81</sup> At 2,230 gigawatt-hours in 2004, Bulgaria has been responsible for a bit more than 50% of Greece's imported electricity, or 38% of Bulgaria's electricity exports.<sup>82</sup> In the absence of this share and with a predicted increase in demand, not only will Greece have to rely more on the imports from elsewhere, it must also become better adept at energy conservation as well as use of domestic renewable sources.

Serbia, still in recovery from a decade of sanctions and war, has many fences to mend. Like much of this newly re-emerged country, recent conflicts have brought hardship to the energy sector as well.<sup>83</sup> With the dramatically reduced standards of living caused by war and prolonged economic sanctions, assistance was provided for

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<sup>76</sup> NSI (2006). "Bulgaria 2004 – Socioeconomic Development", National Statistical Institute of Bulgaria, [http://www.nsi.bg/ZActual\\_e/NewE-Budget.htm](http://www.nsi.bg/ZActual_e/NewE-Budget.htm).

<sup>77</sup> NSI (2006). "Total Households' Expenditure by Group for May 2005 and 2006", National Statistical Institute of Bulgaria, [http://www.nsi.bg/BudgetHome\\_e/BudgetHome\\_e.htm](http://www.nsi.bg/BudgetHome_e/BudgetHome_e.htm).

<sup>78</sup> Sofia Echo (11 August 2006). "Bulgaria to Remain Relatively Poor after EU Entry – IMF Report", [http://www.sofiaecho.com/article/bulgaria-to-remain-relatively-poor-after-eu-entry--imf-report/id\\_17033/catid\\_64](http://www.sofiaecho.com/article/bulgaria-to-remain-relatively-poor-after-eu-entry--imf-report/id_17033/catid_64).

<sup>79</sup> CSLF (2006). An Energy Summary of Greece, Carbon Sequestration Leadership Forum, <http://www.cslforum.org/greece.htm>.

<sup>80</sup> Ibid.

<sup>81</sup> IEA (2004). Greece-Standard Review, Energy Information Centre, [http://www.iea.org/textbase/nppdf/free/2004/Greece\\_comp04.pdf](http://www.iea.org/textbase/nppdf/free/2004/Greece_comp04.pdf).

<sup>82</sup> See 3.

<sup>83</sup> SEENERGY (2006). Serbia, Energy Demand Forecast, Southeast Europe Multi-country Energy Website for the Athens Process, <http://www.seenergy.org/?/organizations&type=3&stat=5&col=2124>.

electricity imports.<sup>84</sup> Its continued problems include extraordinarily high energy intensities, frequent disruptions of service, financially unstable state-owned generation company (JP Elektroprivreda Srbije), unreliable cogeneration district heating plants, limited integration in international energy markets (after thirteen years reconnected in 2004 to the Union for the Co-ordination of Transmission of Electricity (UCTE)<sup>85</sup>), continued dependency on importation of primary fuels, especially natural gas, which is in greater demand so as to meet energy and environmental needs. A heavy reliance on electricity for space heating has been the case for the last decade because of the absence of a viable fuel market in urban centers, further taxing the electricity system. Nearly 10% of its electricity is imported,<sup>86</sup> still with greatest need during the winter.<sup>87</sup> Serbia declares that it is able to balance domestic production and consumption,<sup>88</sup> although it admits that it will have to engage in “rational consumption”, something that is not only wise but which is obligatory for the Southeast Europe Energy Union.<sup>89</sup>

The Former Yugoslav Republic of Macedonia has also been taxed with troubles and has been dependent on imports. In 2005, the country consumed 7.93 gigawatt-hours of electricity while only having generated 6.27 of them, requiring an importation of 1.66 gigawatt-hours,<sup>90</sup> accounting for more than 20% of total consumption, an increase from its 2002 need of 15%. The state has two lignite-fired plants, one oil-powered plant (used for peak demand periods), and six hydropower plants that account for about 17% of production. Only a couple low-voltage transmission lines cross over from Bulgaria, and much better lines are shared with Greece, Montenegro, and Serbia.<sup>91</sup> Having been the least developed of the Yugoslav republics as well as feeling the ethnic Albanian insurgency of 2001, Macedonia’s economic transition has been incremental and fraught with an excessively high informal economy, at approximated 20% of GDP.<sup>92</sup> As in Bulgaria, wages in Macedonia have lagged behind increased costs of living,<sup>93</sup> so continued price hikes associated with transition continues to squeeze consumers.

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<sup>84</sup> EAR (2006). Serbia, European Agency for Reconstruction, <http://ear.europa.eu/serbia/serbia.htm>.

<sup>85</sup> EPS (2006). About Us: History, Elektroprivreda Srbije, <http://www.eps.co.yu/onama/history.htm>.

<sup>86</sup> SEENERGY (2006). Serbia, Description of Energy Sector, Southeast Europe Multi-country Energy Website for the Athens Process, <http://www.seenergy.org/index.php?/countries&stat=5&type=3&col=2117>.

<sup>87</sup> EPS (2006). Electric Power Industry of Serbia, Elektroprivreda Srbije, [http://www.eps.co.yu/publikacije/godisnji\\_izvestaji/TechAR06e.pdf](http://www.eps.co.yu/publikacije/godisnji_izvestaji/TechAR06e.pdf).

<sup>88</sup> Serbian Government (23 February 2006). “No electricity shortages in Serbia this year”, <http://www.srbija.sr.gov.yu/vesti/vest.php?id=20916&q=electricity+prices>.

<sup>89</sup> Serbian Government (22 July 2006). “Rational consumption of energy a necessity”, <http://www.srbija.sr.gov.yu/vesti/vest.php?id=25577&q=electricity+import>.

<sup>90</sup> CIA (2006). Macedonia, Central Intelligence Agency World Fact Book, <https://www.cia.gov/cia/publications/factbook/geos/mk.html>.

<sup>91</sup> SEENERGY (2006). Macedonia, Description of Energy Sector, Southeast Europe Multi-country Energy Website for the Athens Process, <http://www.seenergy.org/?/organizations&type=3&stat=7&col=2117>.

<sup>92</sup> See 34.

<sup>93</sup> SSORM (2006). “Poverty in the Republic of Macedonia”, State Statistical Office of the Republic of Macedonia, <http://www.stat.gov.mk/pdf/2006/4.1.6.50.pdf>.

In comparison, Romania has fared well. Its location makes it easier to receive imports of natural gas and electricity from Russia and Ukraine, although the prices keep rising.<sup>94</sup> While it has bought electricity from Bulgaria, its generation capacity has surpassed its domestic need<sup>95</sup> and there are multiple foreign suppliers close at hand from which Romania can choose.<sup>96</sup> In fact, its export of electricity has been almost nine times the amount imported.<sup>97</sup> It has one nuclear power plant, Cernavoda, which currently has one functioning reactor that generates 10% of the states electricity. But a second reactor under construction scheduled to go on line by March of 2007, and then a third and a fourth which should be ready for action in 2012. By 2015 Romania expects to increase its total electricity production by more than 20%, primarily through the tripling of nuclear generation.<sup>98</sup> So great will the generation capacity be that there has been talk of exporting directly to Turkey via a cable under the Black Sea, bypassing Bulgarian territory altogether.<sup>99</sup> Romania has shown remarkable success in preparing for the emerging Southeast Europe energy scene. Under an EU directive, it began the process of liberalizing its electricity sector. By the year 2000, it had established a wholesale electricity market, and by 2003 had started setting standards of efficiency and a strategy for competitiveness.<sup>100</sup> And it's paying off with record sales.<sup>101</sup>

Since 1997 Turkey has been a net importer of electricity, buying primarily from Bulgaria and through Iran. But in recent years the generating capacity of Turkey has increased to the point of meeting domestic demand (which fell during the 2001 economic crisis), and in 2003 it ceased purchase of Bulgarian electricity despite the indemnity protection that the Bulgarian NEC had established during the original trade agreement. This caused significant problems for the Bulgarian energy system. Some of the thermal power plants, especially Maritsa Iztok III, had to reduce their production and keep it at base load for almost a year until the right export balance was made. In addition, a high voltage transmission line to Turkey, which was constructed before by NEC for about BGN 300 million (or EUR 150 million) to boost its export possibilities to Turkey, stayed unused and added to the losses which NEC had to bear because of this decision.

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<sup>94</sup> Moldova.org (2 August 2006). "Ukraine to increase for electricity imports", <http://economie.moldova.org/stiri/eng/15362/>.

<sup>95</sup> CIA (2006). Romania, Central Intelligence Agency World Fact Book, <https://www.cia.gov/cia/publications/factbook/print/ro.html>.

<sup>96</sup> OPCOM (2004). "Recent developments in the Romanian electricity market", presentation [http://ec.europa.eu/energy/electricity/south\\_east/doc/6/opcom\\_presentation.pdf](http://ec.europa.eu/energy/electricity/south_east/doc/6/opcom_presentation.pdf).

<sup>97</sup> IAEA (2005) Data Reference Bank, Romania, International Atomic Energy Agency, <http://www.iaea.org/inis/aws/eedrb/data/RO.html>.

<sup>98</sup> MEC (2003). Road Map for Energy of Romania, Romanian Government Ministry of Energy and Commerce, available through Southeast Europe Multi-country Energy Website for the Athens Process, Romania, Energy Demand Forecast, <http://www.seenergy.org/index.php?/countries&stat=11&type=3&col=2124>.

<sup>99</sup> See 5.

<sup>100</sup> See 41.

<sup>101</sup> OPCOM (2006). Romanian Electricity Spot Market: more than one million US dollars – new record for daily transactions, Romanian Power Market Operator, Press Release No. 4/2006, <http://www.opcom.ro/portal/content.aspx?item=2179&lang=EN>.

The reason cited for this decision by Turkey is that it would be able to produce its own at a rate lower than what it costs to import.<sup>102</sup> In addition to the increased generation capacity, made possible with an extensive hydropower network, the construction of several combined gas-fired generation plants, and a newly built coal-fired plant, imports from Turkmenistan have undercut Bulgaria's rates.<sup>103</sup> But its declarations of energy independence may be premature as it is expected that in the next couple years there will be a shortfall of electricity<sup>104</sup> unless its wind and geothermal resources can be developed and nuclear facilities brought on line by 2012.<sup>105</sup>

Turkey's potential to Europe as the conduit of future fuel supplies, primarily that coming from the Caspian Sea region, continues to be noticed, and the eyes of the West are drawn again toward Anatolia.<sup>106</sup> In fact, Turkey's position as the regional energy hub will be strengthened if it can secure natural gas from places other than Russia, including Turkmenistan, Iraq, and Iran. While reliance on these places may be unpalatable to some, being able to provide energy to Europe would strengthen Turkey's bid to join the Union on more than just "civilization discourse".<sup>107</sup> Given that recent natural gas crises in Ukraine and the Republic of Georgia show the unreliability of supplies from Russia,<sup>108</sup> having secured alternatives becomes increasingly important. However, with increasing prosperity, an expected rise in electricity demand, uncertainties – despite continued efforts – about self-sufficient generation, and not being joined to the UCTE,<sup>109</sup> it seems improbable that Turkey will become a regional electricity supplier.

### **Integration and Liberalization**

The long-term effects are more complex and much harder to predict. But one thing is quite clear, that the regional energy sectors are destined to be absorbed into the European Union. In 2005 the Balkan states signed the Energy Community Treaty and put themselves clearly on a path toward regional and European integration of the energy market. Negotiations are ongoing with Turkey about joining later. In accordance with the 2003 Athens Memorandum of Understanding, members must ready themselves for a

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<sup>102</sup> Sofia Echo (3 August 2003). "Turkey won't buy Bulgarian electricity", Business, <http://www.sofiaecho.com/art.php?id=6945&catid=23>.

<sup>103</sup> EIA (2005). ". "Country Analysis Briefs, Turkey", Energy Information Administration, <http://www.eia.doe.gov/emew/cabs/turkey.html>.

<sup>104</sup> U.S. Department of State (April 2006). "Background notes: Turkey", Bureau of European and Eurasian Affairs, <http://www.state.gov/r/pa/ei/bgn/3432.htm>.

<sup>105</sup> See 48.

<sup>106</sup> GMF (22 March 2006). "Turkey seen as energy security lynchpin", The German Marshal Fund of the United States, [http://www.gmfus.org/event/detail.cfm?id=242&parent\\_type=E](http://www.gmfus.org/event/detail.cfm?id=242&parent_type=E).

<sup>107</sup> Turkish Daily News (4 April 2006). "Turkey's toolbox should include energy security", [http://www.gmfus.org/publications/article.cfm?parent\\_type=P&id=182](http://www.gmfus.org/publications/article.cfm?parent_type=P&id=182).

<sup>108</sup> See 51.

<sup>109</sup> UCTE (2006). Members, Union for the Coordination of Transmission of Electricity, [http://www.ucte.org/aboutus/members/e\\_default.asp](http://www.ucte.org/aboutus/members/e_default.asp).



free-market exchange of electricity and natural gas.<sup>110</sup> The general idea is to secure affordable supplies of energy across the region to foster economic growth, but an additional hoped for benefit is regional integration and cooperation and the strengthening the Southeast Europe Stability Pact. Signatories of the Energy Community have agreed to meet European Union standards on pollution control and management and pricing regulations. However, to accomplish this, as well as to meet the growing energy demand, at least \$40 billion USD of investment in the next decade is needed.<sup>111</sup>

But the job is harder for some than it is for others. Romania has made good progress and Turkey is well positioned, but many of the other Balkan states face more difficult circumstances. In addition to repairing, replacing, and rehabilitating decrepit facilities and infrastructure, state regulatory agencies must be established and business deals must be transparent and free of corruption. And the means of electricity generation is not homogenous, meaning that some states and some companies are better equipped for a competitive environment. Given that the liberalization and integration ball has already started rolling, this is perhaps one of the more important questions. Who will be the winners and losers in this regional remix of the electricity market? The gravitational effect of Western Europe's market continues to pull hopes, ambitions, and material supplies to its core. Electricity, which used to be a national affair, has now become regional.

Not surprisingly, the big push has been toward increasing capacity. The popular formula for economic development has been more, more, more. While the World Bank<sup>112</sup> has highlighted the need for rehabilitation of facilities in the Balkans, its accompanying mantra has been enlargement of power generation. Western Europe is seeking new markets, and the apple in the Southeast looks ripe for picking. Energy intensity, losses, and import dependency are still high, and foreign companies are investing billions to get their eventual cut rather than allowing their competitors to jump in without them. But the effects of open markets and privatization are unsure. The rate hikes of utilities in all the transition countries have outpaced wage increases, and many consumers have either been unable to pay their bills or have simply deprived themselves of the luxuries of light and heat. So desperate have things gotten that energy theft has been a serious problem. Even profit-motivated energy companies have worried about opening markets because of fears that they couldn't be competitive with better equipped and managed businesses from abroad.<sup>113</sup>

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<sup>110</sup> ERDSEE (2006). Energy in Southeast Europe – Regional Policy for a Regional Market, Economic Reconstruction and Development in South East Europe, <http://www.seerecon.org/infrastructure/sectors/energy/#1>.

**111** World Bank (10 July 2006). “Energy Security: World Bank Works to Address Pressing Needs in Eastern Europe, Turkey and the Former Soviet Union; In a rapidly growing region, strained and aging energy facilities call for new investments”, <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/0,,contentMDK:20988413~menuPK:258604~pagePK:146736~piPK:146830~theSitePK:258599,00.html>.

<sup>112</sup> Ibid.

<sup>113</sup> Vaknin, S. (18 November 2002) “Electricity Markets in Eastern Europe”, <http://www.buzzle.com/editorials/11-18-2002-30512.asp>.

Circumstances and inducements are pushing the transition economies of Southeast Europe to expand their large-scale production capacity in a competitive fashion and endangering localized populations. For example, in the newly liberalized market and the creation of a regionalized grid, generation companies must provide low-cost electricity in order to survive. Otherwise consumers will select the cheaper product of a competitor, assuming it has the capacity to meet the demands for its goods. In the case of Bulgaria, it has been claimed that failure to rehabilitate, modernize, or repair equipment has kept prices artificially low, the consequences being that unnecessarily high pollution levels continue to threaten the public health of local residents and that the economies of competing, neighboring states are subsidized.<sup>114</sup>

Claims that the Balkans will continue to serve the West European core in a peripheral fashion have become more pronounced. The Stability Pact Watch Group<sup>115</sup> asserts that investments from the West are overly focused on increasing large-scale generation capacity of electricity while largely ignoring the enduring high energy intensity (GDP/unit of energy) and its negative social consequences rather than seriously implementing energy efficiency measures and better utilizing renewable energy sources. Turkey's importation of cheaper electricity from a more peripheral region is another example of this globalized, capitalistic structure.

But not all viewpoints are so cynical. Although the liberalization of regional energy trade combined with the sudden deflation of production is expected to put a short-term squeeze on all of Southeast Europe,<sup>116</sup> analysis of the electricity market in Southeast Europe indicates that a regional energy market would bring lower electricity production costs as well as a more reliable supply to utility systems that have experienced chronic shortages.<sup>117</sup> A necessary component of this, however, is a well developed network of transmission lines. Otherwise you get transmission congestion and accompanying price adjustments. But better lines are still in the process of being developed. Bulgaria, Macedonia, Albania, and Italy have agreed to develop an energy corridor (Corridor 8), improving transmission lines and gas pipelines that will also branch out to Serbia, Montenegro, and Greece.<sup>118</sup>

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<sup>114</sup> Miladinova, G. (2006). "The Prospects of Nuclear Energy in Bulgaria: the Rush towards the Construction of Belene Nuclear Power Plant", in *Energy & Environment Special Issue on Energy Policy and Nuclear Power - 20 Years after the Chernobyl Disaster*, Vol. 17, No. 3, 401:416.

<sup>115</sup> Stability Pact Watch Group (2005). Arrested Development, Energy Efficiency and Renewable Energy in the Balkans, [http://www.bankwatch.org/documents/arrested\\_development\\_05\\_05\\_1.pdf](http://www.bankwatch.org/documents/arrested_development_05_05_1.pdf).

<sup>116</sup> See 4.

<sup>117</sup> Koritarov, V. & Veselka, T. (2003). "Modeling the Regional Electricity Network in Southeast Europe", presented at the IEEE Power Engineering Society Energy Development and Power Generating Committee. Panel Session: Southeast Europe and Regional Electricity Market – Configuring the Power System, IEEE General Power Meeting, Toronto, Canada, 17 July, 2003. <http://search.yahoo.com/search?p=modeling+the+regional+electricity+network+in+southeast+europe&fr=FP-tab-web-t500&toggle=1&cop=&ei=UTF-8>.

<sup>118</sup> Macedonian Ministry of Economy (2005). Macedonia, Bulgaria, Albania, and Italy Signed Declaration for Cooperation in the Area of Energy Infrastructure, <http://www.economy.gov.mk/default-en.asp?ItemID=864EA9222446A142A197F16D21067AA8>.

Further analysis of the power market in the Balkans reveals that national competitiveness depends not only on the effectiveness of the generation facilities, but also on topography and weather.<sup>119</sup> Those countries with greater reliance on hydropower are much more energy sensitive to drought and would be in greater need of electricity imports to satisfy domestic demand under such conditions. Additionally, dependence on imported fuels makes generation costs more vulnerable to spikes in world prices that would subsequently make the generated electricity less competitive. With a reliance on hydropower at 30% for Macedonia,<sup>120</sup> 37% for Serbia,<sup>121</sup> and an astonishing 75% for Montenegro,<sup>122</sup> the electricity sector in these countries are most vulnerable to dry conditions. At more than 30%, Romania also has a high reliance on hydropower, but its other sources of generation are being quickly developed.<sup>123</sup> Turkey has 30 hydropower plants, but they operate at only a fraction of their theoretical potential,<sup>124</sup> so it's possible to extract even more juice from them. Most of its electricity generation is currently accomplished with coal and, now, imported natural gas. Of the Balkan countries, Greece and Bulgaria have the smallest shares of electricity from hydropower (9% and 8%, respectively), and each has considerable generation from domestic fossil fuel sources, nearly 90% for Greece<sup>125</sup> and 36% for Bulgaria, which also imports natural gas for production of an additional 16% of the total amount.<sup>126</sup> While Albania and Macedonia fair better when it rains, electronically speaking, those countries with large thermal capacities, like Bulgaria, do better under dry conditions when they will be able to make up for other's shortfalls.

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<sup>119</sup> CEEESA (2005). Power Market Analysis and Potential Revenues of 2 New Transmission Lines in the Balkans, Center for Energy, Environmental, and Economic Systems Analysis, <http://www.dis.anl.gov/ceeesa/programs/balkans.html>.

<sup>120</sup> See 36.

<sup>121</sup> World Bank (2006). Water Resources in Europe and Central Asia, volume II – country water notes, <http://lnweb18.worldbank.org/ECA/ECSSD.nsf/ecadocbylink2/Country%20Water%20Notes?OpenDocument>.

<sup>122</sup> SEENERGY (2006). Macedonia, Electricity Market, <http://www.seenergy.org/index.php?/countries&stat=7&type=3&col=2117>.

<sup>123</sup> OPCOM (2006). Romanian Electricity Spot Market: more than one million US dollars – new record for daily transactions, Romanian Power Market Operator, Press Release No. 4/2006, <http://www.opcom.ro/portal/content.aspx?item=2179&lang=EN>.

<sup>124</sup> U.S. Department of State (April 2006). “Background notes: Turkey”, Bureau of European and Eurasian Affairs, <http://www.state.gov/r/pa/ei/bgn/3432.htm>.

<sup>125</sup> CSLF (2006). An Energy Summary of Greece, Carbon Sequestration Leadership Forum, <http://www.csforum.org/greece.htm>.

<sup>126</sup> NEK (2005). Electricity Trade; Republic of Bulgaria National Electricity Company, <http://www.nek.bg/cgi-bin/index.cgi?l=2&d=1014>.

## Back to Bulgaria

So what does all this mean for Bulgaria and the impending closure of Kozlodui's reactors? Bulgaria is well on the road to Europe-wide integration of trade in electricity. It has changed the structure of the electricity company,<sup>127</sup> and it's slowly but surely modernizing its facilities and infrastructure, and it has gained membership in and is cooperating with the necessary international agencies.<sup>128</sup> But nonetheless, it's about to take a big hit with the closure, experiencing up to more than 700 million Euros of lost revenue.<sup>129</sup> And while there may be enough electricity to meet domestic needs, the lost capacity means higher prices for consumers.

For these reasons there is tremendous support for recapturing the glory days of being the Balkan Energy Hub, but it seems unlikely that Bulgaria will be able to regain its status as net regional energy supplier. While Bulgaria's National Electricity Company will remain responsible for domestic transition and the negotiation of regional trade, its concerns must stay focused on state-wide demands, performance of facilities, and service to network consumers. The energy intensity (unit of production per unity of energy used) of Bulgaria remains well below that of European standards,<sup>130</sup> and needless losses within the system remain high.<sup>131</sup> Continued competitiveness in the energy market depends on the ability to become more efficient in regards to production, transmission, and use.

Despite the state's objectives and the support of international agencies such as the World Bank, as well as that of the general population, for the completion of the Belene nuclear power plant, there are growing voices in opposition to this strategy. The rationale against construction of the Belene nuclear power plant includes seismic instability of the site, uncertainty of the need for such a large generating capacity, the shadiness of the negotiation and decision-making process, and whether the electricity produced at the plant will be competitive on the regional market. Also rejected is the argument that nuclear power would help meet Kyoto Protocol allotments of carbon dioxide without sacrificing production. Bulgarian emission of CO<sub>2</sub> is already 50% below 1988 levels while the target reduction share was only 8%. Also rejected is the notion that the capacity loss will create a gap in the reserve capacity, making the country subject to brown-outs or black outs. In fact, even after decommissioning Kozlodui's reactors, the reserve capacity will remain double that aimed for by other member states of the European Union, and since joining the Union for the Co-ordination of Transmission of Electricity (UCTE) in May 2003, and having unfettered transmission with much of Europe, there is no great need to carry high amounts of reserve capacity.<sup>132</sup>

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<sup>127</sup> NEK (2005). Restructuring of NEK EAD, <http://www.nek.bg/cgi-bin/index.cgi?l=2&d=1216>.

<sup>128</sup> NEK (2005). International Cooperation and Public Relations, <http://www.nek.bg/cgi-bin/index.cgi?l=2&d=1017>.

<sup>129</sup> See 3.

<sup>130</sup> See 59.

<sup>131</sup> NEK (2005). Generation Development Forecasts, <http://www.nek.bg/cgi-bin/index.cgi?l=2&d=1227>.

<sup>132</sup> See 59.

There are also conceivable benefits to the closure of Kozlodui's reactors. First, the risks to public safety will be markedly reduced. Not only will the likelihood of a devastating plant accident be much less, but the difficulty and danger of waste disposal will shrink and the dependence on Russian imports of nuclear fuel and on the export of the waste back to Russia will dwindle, at least until Belene gets fired up. Second, the higher prices will be an additional incentive to become more efficient consumers and to drive people's attentions toward alternative sources, such as wind, solar, biomass, and geothermal. Actually, these are part of the mandate for energy development in cooperation with the EU, that increasing shares of the energy mixed be from renewable sources. Yet there is still considerable complaint that Bulgaria, as well as almost all nations, are ignoring the benefits of increasing energy efficiency and making use of renewable resources.<sup>133</sup> In fact, as Bulgaria melds into the European Union, decreased energy intensity is necessary for economic competitiveness.

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<sup>133</sup> See 59 & 60.

# **Chapter II**

*Conflicts of the Black  
Sea Region  
and European Security*

## The Role of International and Regional Actors in Abkhazia, Georgia

Kornely KAKACHIA \*

**Abstract:** Frozen conflicts and instability in the Black Sea region are a growing threat to the European Union. While the region is in a democratic transition period, in a period of emerging democracies such conflicts are a source of insecurity and asymmetric risks. Underlying all this is the Black Sea's growing strategic importance as an outlet for Russian and Caspian oil - another potential source of conflict as well as wealth.

Over ten years have passed since the signing of a ceasefire that marked an end to large-scale hostilities in the Georgian-Abkhaz conflict. Yet a lasting peace settlement remains a distant prospect, and ongoing conflict continues profoundly to affect political and economic development in the region. Large numbers of people, many of whom are displaced, continue to live a precarious existence. Positions remain intransigent, insecurity and lack of trust continue to underpin attitudes, and belligerent rhetoric reinforces a conflict dynamic that leaves little room for engagement with the other side, let alone compromise.

Article engages in a role of International organizations (especially EU) and will focus on the potential of EU in resolving the Georgian-Abkhaz Conflict.

### Background

The Black Sea region and specifically South Caucasus represents one of the most diverse and conflict-ridden regions in the world. Frozen conflicts and instability in the region are a growing threat to the international Community. As crises in the Caucasus and Caspian have shown, ethnic animosities, economic crises, refugees, environmental problems and disparities in military power make the area prone to instability. While the region is in a democratic transition period, in a period of emerging democracies such conflicts are a source of insecurity and asymmetric risks.

The region is strategically important for the West and to Europe in particular as a trade link and because of its fossil fuel deposits. Given the region's geostrategic position as a natural link between Europe and Asia, and between Central Asia and the Middle East, it constitutes a vital trade link as well as an important area of transit. Weak and rogue states and war-torn societies threaten international security, regional stability, and the lives of millions of people around the globe. Consequently, instability and potential for conflict in the Black Sea area, its energy resources and its economic prospects matter to the international community.

Georgia's political landscape changed substantially after the "Rose Revolution" in November 2003. Since the election of President Mikheil Saakashvili in January 2004, questions have been raised regarding the ability of Georgia's new government to tackle the imminent problems and to improve political and economic life in Georgia. After assuming the presidency, Saakashvili has insisted that he seeks to transform Georgia from a fractured, failed-state into a prosperous democracy.

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\* Associate Professor, Department of Political Science, Ivane Javakhishvili State University of Tbilisi, [kkkachia@yahoo.com](mailto:kkkachia@yahoo.com)

Accordingly, government's policy priorities have been restoring the country's territorial integrity and curbing corruption. And indeed, a good start has been made in addressing the structural problems facing Georgia, tackling, for example, endemic corruption, which has harmed every facet of life in Georgia. However, Georgia still suffers from a dormant conflict and latent small-scale warfare in separatist regions. Consequently the political status of the breakaway provinces of Abkhazia and South Ossetia is still unresolved.

Over ten years have passed since the signing of a ceasefire that marked an end to large-scale hostilities in the Georgian-Abkhaz conflict. Yet a lasting peace settlement remains a distant prospect, and ongoing conflict continues profoundly to affect political and economic development in the region. Large numbers of people, many of whom are displaced, continue to live a precarious existence. Positions remain intransigent, insecurity and lack of trust continue to underpin attitudes, and belligerent rhetoric reinforces a conflict dynamic that leaves little room for engagement with the other side, let alone compromise. While a cease-fire is in effect, about 300,000 internally displaced persons (IDPs) who were driven from their homes during the conflict have yet to return home.

Meantime, Georgia faces serious geopolitical and ethno-political problems, which has negative impact on democratic transformation and development of the country. Georgia is preparing to exercise its sovereign right to demand the termination of Russian "peacekeeping" operations on its territory and their replacement with genuine international peacekeeping missions. Concurrently, Tbilisi is redoubling efforts to unfreeze not the conflicts as such (these are not and never were "frozen") but rather to unfreeze the frozen negotiations toward political settlements in Abkhazia and South Ossetia. Within this context, the role of international players (UN, EU, OSCE, USA, Russian federation) is becoming more important and the functions of policy in the secessionist enclaves requires some overall political rethinking and adjustment of goals on the ground. Generally, so called "frozen conflicts", continue to represent a danger to stability, since the resumption of violence can never be excluded.

### ***Regional and international actors present in the conflict zone***

#### **European Union**

The recent Political reforms in Georgia, coupled with the declaration of the new government that relations with the EU constitute a major priority of Georgian foreign policy, have made the stability of Georgia a crucial issue in the EU's external relations. Generally, the EU agrees that the Georgian people share a common destiny with the other peoples of Europe, and that the integration of Georgia into European structures is in the interest of both the EU and Georgia.

Since 2003, the EU has become more of a security actor in the South Caucasus, particularly in Georgia. It has appointed a Special Representative for the South Caucasus, launched a European Security and Defence Policy (ESDP) mission, and employed the Commission's Rapid Reaction Mechanism to support post "Rose Revolution" democratization processes. It should be pointed out that the mission is not only the first EU mission of its kind, it also marks the first application of the bloc's defense and security policy outside of the Balkans or Africa.



This change in the EU's approach towards Georgia and the Southern Caucasus in general, is clearly reflected in the (17/18.6.04) European Council's decision to include the three countries of the Southern Caucasus into the "European Neighborhood Policy". In addition, the European Union and the World Bank organized (Brussels, 16.6.04) a Donors' Conference for Georgia, which was highly successful since the total pledges amounted to € 855 m. But so far the EU's reluctance to offer the prospect of membership and its fear of upsetting Russia has prevented it from thinking strategically about Georgia. Nor has the EU used its transformative power to underpin reforms in Georgia<sup>134</sup>.

The EU is playing an active role in the stabilization of the country. At this stage the European Commission (EC) supports the peaceful resolution of the internal conflicts as the basis for meaningful negotiations and a continuing search for a political settlement. While concerns remain over the possibility of conflict in troubled breakaway regions, the EU is working with concrete measures to help relieve tensions between central government and South Ossetia and Abkhazia. In South Ossetia, a new railway link with central Georgia is planned, as well as support for refugees. As for Abkhazia, plans for a construction program are under way to span an area, cutting the region off from the Georgian mainland. However, the EC is not directly involved in the political side of conflict resolution and prevention in Abkhazia. Instead, the EC actively supports various economic rehabilitation and confidence building activities in the Georgian-Abkhaz conflict zone as an important measure to build greater trust between the conflict-affected populations.

Georgia would like the European Union and international community to step up their involvement in the country's "frozen conflicts." The Georgian government makes no secret that a greater EU and OSCE presence in Abkhazia should come at the expense of Russian involvement. As stated in Brussels by former State Minister for Conflict Resolution issues, Giorgi Khaindrava: "...We are seeking the internationalisation of, shall we say, conflict-affected relationships. We think that the presence of European observers, the large-scale involvement of the European community in managing conflicts can only help and play a positive role in this context. We also believe that Russia is also facing a great many problems, and to place peace-making responsibilities solely on Russian shoulders would not be fair, either."<sup>135</sup>

While, Tbilisi is seeking greater OSCE and European Union involvement in managing the country's conflicts and its relations with Russia, Georgian society expects more support, especially in political and security issues. There is an impression that the EU deliberately gets behind U.S. in these issues, avoiding complication of relationship with Russia. On the other hand, the Georgian public believes that worsened Russian-Georgian relations over a set of issues should become concern for the evolution of EU-Russia relations. Due to the specific affiliation between EU and Russia, it is widely accepted that in some cases EU can play greater role than other international organization involved in Georgia. In the South Caucasus, Georgia now appears best placed to make use of EU goodwill, especially in conflict resolution and facilitation of Russo-Georgian political dialogue.

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<sup>1</sup>Mark Leonard and Charles Grant. „Georgia and EU: Can Europe's neighbourhood policy deliver?“, Centre for European Reform; policy brief. Sept.2005

<sup>2</sup>[www.civil.ge](http://www.civil.ge)

Indeed, to become more effective in Abkhazia, the EU must increase its political visibility. Compared with Russia, the U.S., the UN and the OSCE, its financial and political engagement in the region has been minimal. However, as it gives more aid through new and old instruments, its ability to provide incentives and apply conditionality should grow. “Compared with other actors, the EU can offer added value, with its image as an “honest broker” free from traditional US/Russia rivalries; access to a range of soft and hard-power tools; and the lure of greater integration into Europe.”<sup>136</sup>

### **United Nations Observer Mission to Georgia**

UN peacekeeping operations demonstrate the ability of an International organization to perform on the world stage with certain degree of independence and with effectiveness not always matched by state actors. They also show the limitations on international organisations-even with the UN-as actors.<sup>137</sup> UN involvement in the attempts at resolution and management of the Georgian-Abkhaz conflict is multifaceted and complex. The leading role is assumed by UNOMIG (United Nations Observer Mission to Georgia). UNOMIG mission, which consists of 120 military observers and international police officers from 25 countries, deployed in 1993. It patrols the separation line between Abkhazia and the rest of the country, alongside a separate Russian (CIS PKF) mission<sup>138</sup>. The UN Security Council, by its resolution 937 (1994) of 21 July 1994, decided that the mandate of an expanded Mission shall be as follows:

- To monitor and verify the implementation by the parties of the Agreement on a Ceasefire and Separation of Forces signed in Moscow on 14 May 1994;
- To observe the operation of the peacekeeping force of the Commonwealth of Independent States (CIS) within the framework of the implementation of the Agreement;
- To verify, through observation and patrolling, that troops of the parties do not remain in or re-enter the security zone and that heavy military equipment does not remain or is not reintroduced in the security zone or the restricted weapons zone;
- To monitor the storage areas for heavy military equipment withdrawn from the security zone and the restricted weapons zone in cooperation with the CIS peacekeeping force as appropriate;
- To monitor the withdrawal of troops of the Republic of Georgia from the Kodori Valley to places beyond the boundaries of Abkhazia, Republic of Georgia;
- To patrol regularly the Kodori Valley;
- To investigate, at the request of either party or the CIS peacekeeping force or on its own initiative, reported or alleged violations of the Agreement and to attempt to resolve or contribute to the resolution of such incidents;
- To report regularly to the Secretary-General within its mandate, in particular on the implementation of the Agreement, any violations and their investigation by UNOMIG, as well as other relevant developments;

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<sup>3</sup> Conflict Resolution in the South Caucasus: The EU’s Role; *International Crisis group. Report N°173 20 March 2006*

<sup>4</sup> Clive Archer. *International Organisations; Rutledge, London and New York. Third edition, 2006. p.81*

<sup>5</sup> [www.unomig.org](http://www.unomig.org)

- To maintain close contacts with both parties to the conflict and to cooperate with the CIS peacekeeping force and, by its presence in the area, to contribute to conditions conducive to the safe and orderly return of refugees and displaced persons.

Working with France, the United Kingdom, US, Germany, and Russia and through the Organization for Security and Cooperation in Europe (OSCE), the United Nations continues to encourage a comprehensive settlement consistent with Georgian independence, sovereignty, and territorial integrity. In addition to the principle of territorial integrity, UN activity with regard to Abkhazia is based on supporting the rapid, safe and voluntary return of refugees and IDPs to Abkhazia, especially in the Gali district. The UN-led “Geneva process” has identified three priority areas for the discussions: security and political issues; the return of refugees and internally displaced persons; and economic cooperation between the sides. Despite those efforts, however, little substantial results have been achieved on the key issues of the negotiations, and the Georgian-Abkhaz peace process has remained stalled.

The UN a long ago offered a proposal on the distribution of competences between Abkhazia and the central authorities. The latter hope that this document will provide a basis for the settlement, but the Abkhaz side does not seem to abandon its position of principle that the reunification is only possible if Georgia and Abkhazia are treated as equal entities. Lately, Abkhaz side has renewed its insistence on the independence, while the international community has not recognized such an attempt. Moreover, separatist authorities suspended their participation in peace process, blaming Georgian authorities for infringement of “State frontiers of Abkhazia” in Kodori gorge. This creates an uncomfortable situation for international organizations and their member states, including UNOMIG.

For the time being, in view of the absence of a political settlement, the situation in the conflict zone continue to be unsettled and prone to destabilization. While the Abkhaz leadership still refuses to discuss the political status of the republic, it appears that the UN is poorly suited to mediate in conflicts, which involves an existing state and a separatist region.<sup>139</sup> Furthermore, the failure to devise more imaginative ways of dealing with the conflict indicated that the UNOMIG is perhaps running out of steam in its role as mediator. Nor did it appear to serve well in its function as stabilizing force, since the period once again saw deterioration in security in the Gali and Kodori regions. This situation temporarily diminishes role of UNOMIG, however there is a hope that after the political turmoil is over, the situation could be changed.

In terms of outside cooperation, the UN shares information with the OSCE on developments in Abkhazia and includes the OSCE in a limited fashion in conflict management attempts. Further, UNOMIG observers cooperate closely with the CIS peacekeeping force (CISPKF) in Abkhazia, whose activity they monitor but on whom they are also dependent for providing a certain degree of security for the conduct of UN Operations.<sup>140</sup> Although the role of the UN has been stronger in some phases of the

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<sup>6</sup> Susan Stewart. *The Role of United Nations in the Georgian-Abkaziian conflict; Journal of Ethnopolitics and Minority Issues in Europe. Issue 2/2003. p. 5-6*

<sup>7</sup> Susan Stewart. *Ibid. p. 26*

conflict negotiations than in others, the necessity of working with the Russian Federation and the CIS has remained important.

Generally, UNOMIG continues to contribute to the implementation of the cease-fire agreement and to play a constructive role in the overall peace process, thus encouraging grassroots cooperative and confidence-building measures in the region. The role-played by UNOMIG in preventing the resumption of hostilities and pursuing a lasting solution of the conflict remain relevant and important.

### **Russian Federation and CIS PKF**

The Russo-Georgian Relationship remains tense. Over the past five years, these relations have been characterized by tension, threats, recriminations, and mutual suspicion. Saakashvili's unequivocally pro-Western orientation, in particular, Georgia's ambition to join NATO and his recent promise that he will integrate Abkhazia and South Ossetia by the end of his presidency, causes outrage in Moscow. Russia still continues its strategy of dragging out and halting negotiations with Georgia, seeking to limit the presence of O.S.C.E. and U.N. monitors along the borders of the separated regions, condoning local separatist militia and maintaining its "peacekeeping" forces.

While the Russian military continues to pursue a harder-line foreign policy towards Georgia, Russia began granting citizenship to the residents of Abkhazia and South Ossetia. This situation in fact could be understood as a de facto annexation of these territories.<sup>141</sup> Moreover, Russian Duma has passed a declaration wherein it openly considered the possibility of integration of South Ossetia and Abkhazia into the Russian Federation. The Ministry of Foreign Affairs of Russia has openly said that its main goal is to protect their citizens in the region. (Russia has granted citizenship to the individuals in these breakaway regions in a speedy manner, hence breaking all international rules and legal procedures.)

Russian peacekeepers, under the authority of the Commonwealth of Independent States (CIS PKF) still are deployed in Abkhazia, along with UN observers (UNOMIG). Tensions still persist between Russia and Georgia regarding the role of the CIS PKF. The CIS PKF force poorly performs its cease-fire duties and carefully avoids taking any action on the refugee problem. Despite the presence of peacekeepers, there has been only very limited repatriation of ethnic Georgian IDPs, apart from some spontaneous returns to the Gali region of Abkhazia, where the security situation remains unstable.

The Georgian side is proposing a change in their mandate, which the Abkhaz and Russian side refuse. It should be mentioned that the Georgian Parliament asked, last autumn, for an immediate withdrawal of these forces from conflict zone. Nevertheless, the UNOMIG says that as its own observers are unarmed, the joint patrol with the CIS PKF is a necessary condition for the UNOMIG's observers to function till other international forces replace it. Meanwhile, Georgia agreed to an extension of the CIS PKF mandate, which allowed the UN Security Council to extend accordingly the UNOMIG mandate.

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<sup>8</sup> Svante E. Cornell, Niklas L.P. Swanström, Anara Tabyshalieva, Georgi Tcheishvili; A Strategic Conflict Analysis of the South Caucasus with a Focus on Georgia 2005  
[http://www.silkroadstudies.org/docs/publications/2005/050601Caucasus\\_Total.pdf](http://www.silkroadstudies.org/docs/publications/2005/050601Caucasus_Total.pdf).

Generally, the role of CIS PKF is rather controversial, since de facto it does not fulfil classical Peacekeeping mission but rather acquired “border guard” functions between the conflicting sides. The current relationship in Abkhazia sets a bad precedent for international peacekeeping operations, since it provides the CIS legitimacy without responsibility. Moreover, presence of CIS PKF helps to maintain status quo favourable to Moscow. While Russia remains the greatest obstacle to a peace settlement, the Russian government claims to be searching for new relationships with its smaller neighbours and argues that the overwhelming role of Russia in the CIS and in the peacekeeping force is only a temporary reflection of the current capabilities of CIS members.

On the other hand, the Georgian government believes that CIS PKF as Russian dominated political and military tool has already exhausted its recourses and alternative PKF forces (most probably International police force) is needed to facilitate peace process in Georgia. Unfortunately, due to different reasons It’s difficult to persuade the International community to do this, even though everybody understands that Russia as interested party can never play role of fair dealer in conflict resolution in Georgia.

### **Organisation for Security and Cooperation in Europe**

The OSCE mission to Georgia is active in all dimensions within Georgia and with its main area of interest in South Ossetia, where the main purpose is to facilitate the political settlement, to eliminate the sources of tension and to promote political reconciliation. The OSCE mission in Georgia supports the UN in the Abkhazia conflict. According to the original mandate, adopted on 13 December 1992, the objective of the Mission was to promote negotiations between the conflicting parties in Georgia which are aimed at reaching a peaceful political settlement.

On 29 March 1994, in relation to the conflict in Abkhazia/ Georgia, the above objectives were expanded to include: “ensure liaison with the United Nations operations in Abkhazia, in order to follow events closely and report regularly to the CSCE, inter - alia with a view to facilitating the participation of the representative of the Chairman-in-Office, at the invitation of the United Nations, to the negotiations carried out under United Nations auspices.”<sup>142</sup>

The OSCE monitored and reported on the human rights situation in Abkhazia, helped build human rights protections into new legislation, conducted prison investigations, and forcefully condemned prison conditions and other aspects of abuse. OSCE has increasingly engaged in dialogue with officials and civil society representatives in Abkhazia, especially from NGOs and the media, regarding human dimension standards, and is considerable a presence in Gali. OSCE expressed concern and condemnation over ethnic cleansing of Georgians in Abkhazia during the 1994 Budapest Summit Decision<sup>143</sup> and later at the Lisbon Summit Declaration<sup>144</sup> in 1996 make this organisation most welcome in Georgia. However, in general regarding to the Mission’s political activity in the Abkhazia conflict, less progress can be reported.

The *ad hoc* committee created by the OSCE parliamentary assembly for the conflict in Abkhazia is a good example of the intensified activities of the OSCE

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<sup>9</sup> [www.osce.org/georgia](http://www.osce.org/georgia)

<sup>10</sup> From the Resolution of the OSCE Budapest Summit, 6 December 1994

<sup>11</sup> Lisbon Summit Declaration of the OSCE, 2-3 December 1996

institutions in the conflict resolution process. Recently, the OSCE ambassadors, delegations from 13 participating States headed by OSCE Permanent Council Chairman, Belgian Ambassador Bertrand de Crombrugge, visited Georgian-Abkhaz conflict zone and met the leaders of the breakaway region. While urging the sides to reiterate their commitment to a peaceful resolution of the conflict He said: "The OSCE reaffirms its support to Georgia's territorial integrity. Our message is that self-determination is not a principle that means independence. There are many other constitutional mechanisms to achieve self-determination."<sup>145</sup>

Although the OSCE has succeeded in establishing and maintaining an ongoing dialogue between each of the secessionist's authorities and the central authorities, all its efforts aimed at achieving a mutually acceptable political compromise have, so far, proved less fruitful. It also failed to hold the pertinent authorities accountable for war crimes in South Ossetia and Abkhazia. However, the absence of the OSCE from the region could give Moscow a freer hand, thus leaving Georgia in a challenging situation. While Moscow has formally recognized the territorial integrity of Georgia, its policy aims are containing violence below escalation level but also maintaining enough tensions to justify Russia's mediation efforts and politico-military presence in Georgia.

## **Conclusion**

The new Georgian leadership faces a sizeable challenge: it is going to take a skilled mediator to maintain the necessary balancing act between the conflicting interests that have converged over Georgia. Undoubtedly the new government in Tbilisi must continue move towards a conflict settlement. Recent developments in Abkhazia indicated that Russo-Abkhaz relationships have undergone very significant transformation. It is clear that internal stability in Abkhazia no longer meets Russian interests. It is also quite obvious that that Abkhaz people do not want to be, but in reality are unconditional puppets of Moscow. All these circumstances might provide a window of opportunity for Tbilisi. However, Russian helpful and positive support still is a prerequisite for solving this longstanding problem.

The peace-keeping and public security efforts taken by Georgian government and the International organizations (UN,OSCE,EU) on respective conflict area must be pursued further:

- International organizations (especially EU) must intensify their involvement in Georgia and work actively in order to give new impetus to the peace and stabilization processes in the country, thus minimizing Russia's detrimental geopolitical influence; persuade Russia to refrain from any unilateral measures affecting Georgia and its citizens, in particular as regards Abkhazia and South Ossetia, without prior consent of International community;
- The Georgian government and International organizations involved (UN, OSCE, EU, etc), including the Russian Federation, should convene international forum and revise the current peace-keeping mandates for Abkhazia to obtain more efficient and more tangible results on conflict resolution. A clearer and more energetic mandate and a single managing authority could achieve better integration of the international effort in the peace operation.

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<sup>12</sup> [www.osce.org/georgia](http://www.osce.org/georgia) ; Press release

- The international community (including Russia) should influence the Abkhaz and South Ossetian leaders to abandon their harsh positions and accept to engage in serious negotiations regarding the status of Abkhazia and South Ossetia within Georgia;
- Special Assistance needed to remove foreign military bases in Georgia as soon as possible in accordance with the International agreement reached with Georgia: the Government solved the conflict with Adjara relatively easily. But Abkhazia and South Ossetia will be more difficult, will take a long time, and will require Russian cooperation. Nonetheless, resolving both conflicts is essential for Georgia's sovereignty and territorial integrity;
- EU's and other international actors principle position regarding the Russia will foster the implementation of the agreements achieved by conflicting sides, including that regarding return of refugees and IDP-s in Abkhazia;
- While stressing the important role being played by UN police in the region, the international community should stress the need for them to be allowed onto both sides of the conflict zone. It should be pointed out that the police are really the force that is needed in the conflict zone, as the problems are not so much security-military related in the area but much more crime-related;
- Adequate resources should be provided to the International NGOs under the Rapid Reaction Mechanism (RRM) to continue confidence-building activities in Abkhazia focused on grass roots security, divisive history, a needs assessment, and media activities. All these efforts in long run will encourage a peace settlement.
- International Human Rights watchdogs engage actively in Abkhazia to avoid deterioration of Human rights records in the region. In the Gali district, Georgian IDPs have returned in fairly large numbers to their homes in an unorganized movement that the Abkhaz authorities could not stop. However, Abkhaz authorities are subjecting those Georgians to various forms of discrimination and intimidation. The international community should facilitate removal of all suspicions from the central government over the serious concern of how the Abkhaz separatist leadership respects Human Rights in practice and how the laws are enforced. Those problems -- as well as organized crime in the Gali and Ochamchire districts -- can best be handled by an international police force of several hundred, not by military peacekeeping troops, let alone by Russian Army "peacekeepers."

Generally, these facts and conclusion suggest that the political as well as the humanitarian dimensions of conflict resolution and post-conflict reconstruction in Abkhazia are eminently manageable at the local level. By the same token they underscore the need to face up to the Russian challenge at the international level, first and foremost by pressing for withdrawal of Russian troops to clear the way for local processes toward political settlement.

## **The Significance of the European Factor in the Resolution of the Conflict in Abkhazia, Georgia**

**David PIPINASHVILI\***

It has been thirteen years since the UN sought to resolve the conflict between Georgia and its separatist region of Abkhazia, but no notable results have been achieved at the present time (especially, in regard to the question of the political status of Abkhazia). Against a background of obvious ineffectiveness of the UN, it has become more and more urgent that conflict resolution and peace-keeping operations become one of the main directions of the European Union's (EU) policies. They should realize in Brussels that the security and economic welfare of the EU are interrelated with security and economic welfare of its neighbors. Since 2004, Georgia has already been included in the European Neighborhood Policy (ENP), and in 2007, when Romania and Bulgaria become members of the EU, Georgia will be the nearest neighbor of the European Union. That means Georgia will have a common maritime boundary with the EU. After Turkey joins the EU, Georgia will have a common land border with the EU (according to the widespread prognosis, talks on joining the EU by Turkey will be finally completed in 2012). It is very important, because the establishment of peace and stability in close neighborhood is within the security interests of the EU itself. Considering the abovementioned, the EU will by all means try to pay more attention to the Abkhaz problem to make its positive contribution to a final resolution of the conflict.

The relations between Georgia and the EU have a long history. Starting in 1993, the EU has been providing a significant support to the states of the South Caucasian region, and the overall support to Georgia has totaled more than 390 million Euros. However, it should be mentioned that the EU has never considered Georgia as a separate entity (there has been no individual approach toward Georgia): In Brussels, the policy of the EU toward Georgia has always been considered as part of the common EU policy toward the entire South Caucasus, as a region. In July 2003, the EU appointed its special representative to the South Caucasus and, thus, stressed its growing interest in the region. At the same time, an unchanged regional approach was once again observed. This situation is not desirable, because an excessive concentration on the Caucasus factor will possibly establish the image of Georgia as a country of non-European traditions, and that will naturally diminish the chance of strengthening the European component in resolution of the Abkhaz conflict, and will not help Georgia's aspirations for the eventual EU membership. Thus, in 2007-2008, Georgia must gradually carry out a policy of re-defining itself in the Black Sea region, and at the same time, it must make every effort towards the Black Sea region, not the South Caucasus (it is quite a realistic endeavor, since in 2007 Georgia will have a common maritime boundary with the EU<sup>146</sup>). From this viewpoint, the proposal of Romania concerning the establishment of

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\* Post-graduate student of the Department for Political Sciences, Ivane Javakhishvili State University of Tbilisi

<sup>1</sup> The essence of re-definition is the following: the country 'leaves' the region that gives rise to negative association. Implementation of the above re-definition policy is also desirable for Georgia, because the South Caucasus reminds people of corruption, ethno-political conflicts, terrorism and organized crime, as well as of social poverty. A successful "re-definition" policy will give Georgia an opportunity to become less dependent on the problems in the North Caucasus and in Nagorno-Karabakh.



the Black Sea – Europe Region is a rather appealing initiative. It is expected to promote resolution of the conflicts by establishing a favorable regional environment.<sup>147</sup> Considering the favorable geographic location of the Black Sea (the Black Sea represents the kind of bridge between the West and the East), the region has an enormous importance for Europe (for Central Europe in particular.)

By being concentrated on the Black Sea region, Georgia, on the one hand, will ‘dissociate’ itself from the problems in the other two South Caucasus states (including the problem of Nagorno-Karabakh), and, on the other hand, will ‘dilute’ the backlash potentially caused by its closeness to the highly explosive region of the Middle East. The southern neighbors of Georgia – Armenia and Azerbaijan, will remain as the so-called “buffer zones” between the EU and the Middle East, while Georgia will be shifted to the list of closest neighbors of the EU. Another important trend that Georgia should follow is to actively strengthen its European (not ‘Caucasian’) identity. It should be stressed at all possible international levels that Georgia is of European nature, not only by its historical background and spiritual culture, but by its political culture as well.

It must be pointed out that, unfortunately, the Black Sea is not regarded as a whole entity in the EU policy, from the security point of view. Though, considering that not only Georgia has pro-European aspirations, but Ukraine and Moldova do as well, the belt of the pro-European states has actually been established around the Black Sea. These countries are likely to become real candidates for EU membership in the-not-so-distant future. Besides, as it has been already mentioned, Romania and Bulgaria will join the EU in 2007. The Republic of Turkey will probably become a member of the EU in the foreseeable future. That will eventually make the Black Sea region. Naturally, Europe will be more motivated in such an environment to establish a stable and long-term period of peace in the Abkhaz region (the EU will have more reasons for interference in the resolution of the only armed conflict at the Black Sea coast). And then, the EU will have to think seriously how to deal with the Abkhaz issue, and what kind of role (positive or negative) the Abkhaz factor could play in a new Black Sea region, and how Abkhazia could integrate in to this area. In this context, everyone should realize that Abkhazia could integrate in to this area only together with the rest of Georgia. Any other outcome of this process is implausible. If Europe seeks peace and stability in the Black Sea region, it must contribute to the settlement of the Abkhaz problem by carrying out a policy based on the respect for sovereignty and territorial integrity of Georgia within its internationally recognized borders.

Although from the geographical point of view, Abkhazia is not as close to the EU as, for example, Transdniestria, the EU should play a more active role in order to facilitate a settlement of the dispute over the conflict in Abkhazia, since the EU is gradually coming nearer to the entire region of the South Caucasus and Abkhazia in particular. In the frames of the “Wider Europe” initiative, the European Union assumes a commitment to actively interfere in the resolution of the conflicts, existing not far

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<sup>2</sup> On 30 March 2006, representatives of 10 countries including Georgia met in the Romanian town of Constanza under frames of the international conference Regional Cooperation in the Black Sea Region, and they held dialogue on the topic of establishment of the Black Sea Euro-Region.

from its borders.<sup>148</sup> “A shared neighborhood implies burden-sharing and joint responsibility for addressing the threats to stability created by conflict and insecurity”<sup>149</sup>. In this context, the policy of the EU towards the conflict in Transdniestria seems very interesting. This policy is especially interesting because it is carried out in the context of a dialogue with the USA and, what is more important, Russia. The EU managed to establish a fixed policy regarding Transdniestria.

The EU should have the same approach to the internal conflicts in Georgia. It is vitally important to ask the EU not to be indifferent towards the conflicts on the territory of Georgia and actively interfere in their settlement. Help from the EU is especially important in the Abkhaz conflict. Naturally, future trends of full-scale resolution of the Abkhaz conflict are within responsibility of the national governments, including such powerful states as Russia and the US. These two states are very influential for the parties to the conflict, as well as for the whole Black Sea region. By that reason namely, the peacekeeping activities of the EU regarding the Abkhaz conflict should be carried out simultaneously with an intensive dialogue with the US and Russia, as it is already happening in Moldova’s Transdniestria region.

To this day the EU has no political role in the Abkhaz conflict (in contrast with the conflict in Transdniestria).<sup>150</sup> The EU Special Representative for the South Caucasus is not directly engaged in conflict mediation in any of the political conflicts, including Abkhazia. Even more, so, it seems that there is no uniform policy regarding the Abkhaz conflict either in EU, or NATO (especially it refers to the Black Sea dimension of the Abkhaz conflict). There is no clear policy regarding the entire Black Sea region, either.

Therefore, the government of Georgia has to do its very best in order to include an EU component in the settlement of the conflict in Abkhazia, Georgia. More active support from Brussels, as well as membership in the EU, as another external foreign actor, both in the peaceful resolution of the Abkhaz conflict and the post-conflict rehabilitation, will be evidently a step forward for both Georgia and the whole Black Sea region. Definite efforts have been already taken from that viewpoint. The government of Georgia is holding talks on how to galvanize the process of resolution of its internal conflicts using both the ENP format and the EU-Georgia Action Plan. Nevertheless, a lot more has to be done, and much more than in the past. It would be helpful to include a more precise definition of particular instruments of resolution of the internal conflicts of Georgia in the bilateral EU-Georgia Action Plan, to be possibly

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<sup>3</sup> The initiative of the Wider Europe was formulated in spring 2002, and it basically implied relationships of the EU with Ukraine, Moldova and Belarus. In March 2003, address of the European Commission (Communication) was issued, and relationships of the EU with eastern and southern neighbors were fixed under it. Georgia was not included in the Wider Europe initiative (because of geographic factor), as the address referred to direct neighbors of the EU only, i.e. those with common either land border, or maritime boundary with the EU. Despite it, the “Rose Revolution” in Georgia gave a fresh positive start to rapprochement of the EU to the South Caucasus. In 2004, Georgia and its South Caucasian neighbors were included in the European Neighborhood Policy (ENP).

<sup>4</sup> „Wider Europe – Neighborhood: A New Framework for Relations with our Eastern and Southern Neighbors“, Communication from the Commission to the Council and the European Parliament, Brussels, 11.03.2003, COM (2003) 104 final. [[http://europa.eu.int/eur-lex/en/com/cnc/2003/com2003\\_0104en01.pdf](http://europa.eu.int/eur-lex/en/com/cnc/2003/com2003_0104en01.pdf)], p. 12.

<sup>5</sup> Several member states of the EU play the political role, and namely, Great Britain, France and Germany (these Countries are members of the so-called UN Group of Friends, and they participate with the above status in the talks on Abkhaz conflict.

signed before the end of 2006. One should think of particular instruments of resolution of the Abkhaz conflict. From the above viewpoint, the EU will possibly play a role of some kind of “frame structure” that will establish proper grounds for solution of the problem of constitutional nature. Besides, the EU can act either as a mediator, or an arbiter (the third party). Preparation of particular forms and instruments of possible participation of the EU in the settlement of the conflict in Abkhazia, Georgia is quite possible, and the task is quite realistic if a proper political will is expressed by the EU. According to Bruno Coppieters, “It will not be easy to include the EU in the membership of the Group of Friends of the Secretary-General on Georgia. But the practical difficulties of achieving such direct participation by the EU have to be overcome”<sup>151</sup>. It is time for the EU to overcome internal political restrictions by engaging itself directly in the Abkhaz conflict transformation and conflict management.

There is even a practice of joint measures by the EU and NATO much known as the “Berlin Plus” agreement. “Berlin Plus” – is a short title for a comprehensive package of agreements, based on the format of strategic partnership between the EU and NATO, and serves as the foundation for practical work between the EU and NATO, inclusion peace-keeping operations<sup>152</sup>. Including of the EU and NATO component in resolution of the Abkhaz conflict is also necessary for significant reduction of influence of Russia in the Black Sea region. The factor of Russia is another challenge to European and Euro-Atlantic security. The Black Sea region (including the water area of Azov Sea) is part of the south-eastern zone of responsibility of NATO and, consequently, any attempt by Russia to retain the status quo and to provoke destabilization in Abkhazia directly contradicts the long-term interests of the EU and NATO. For Europe’s security, preventive measures should be taken in the Black Sea region against terrorism and separatism, and, especially, in order to do away with a danger caused by the aggressive policy of Russia. The EU and NATO must ensure elaboration of a coordinated approach aimed at implementation of peace initiatives in the conflict zones of Georgia. European Security and Defense Policy (ESDP) is one of such optimal approaches under which the frames of operation by the military observers’ mission is possible.

Abkhazia, Georgia is a “frozen conflict” that needs a political solution, and as a part of it we would like to have the EU do the peacekeeping. Under the European Security and Defence Policy (ESDP), such kinds of future peacekeeping activities of the EU as peacemaking operations, peacekeeping operations and crisis management operations could be considered as possible alternatives.<sup>153</sup> It is very important that crisis

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<sup>6</sup> Bruno Coppieters. The Georgian-Abkhaz Conflict (Chapter 5) –

[[http://www.ecmi.de/jemie/download/1-](http://www.ecmi.de/jemie/download/1-2004Chapter5.pdf#search=%22bruno%20coppieters%2C%20the%20Georgian-Abkhaz%20Conflict%22)

2004Chapter5.pdf#search=%22bruno%20coppieters%2C%20the%20Georgian-Abkhaz%20Conflict%22].

<sup>7</sup> The Agreement on partnership between the EU and NATO is based on the European Security and Defence Policy (ESDP) Declaration that was approved on 13 December 2002. The Declaration includes four components of the so-called Berlin Plus Agreement: 1) ensuring of participation of the EU in planning of NATO operations; 2) use by the EU of asset and potential of NATO; 3) participation of the NATO European leadership in the EU operations; 4) adaptation of the NATO defence planning systems to the EU operations aimed at consolidation of forces.

<sup>8</sup> In 1999, after the Amsterdam Agreement was put in force, Member States to the EU fixed common approach to the foreign and security issues - the Common Foreign and Security Policy (CFSP) that from its side envisages forming of the common defence policy of the EU. Thus, the EU European Security and Defence Policy (ESDP) represents the integral part of the EU Common Foreign and Security Policy (CFSP). In 1999, under European Security and Defence Policy (ESDP), the EU set the so-called “Petersberg tasks” that implied such operations of the EU as peacekeeping operations, peacemaking operations and crisis management operations.

management be implemented by means of both military operations and civil instruments (civil crisis management operations). We think it is practical for Georgian diplomacy to work for this purpose too, as well as to try to assure the EU leadership at all possible levels of necessity of implementation in Georgia of any of the types of the abovementioned peacekeeping activities (we believe that the use of civil instruments in crisis management operations is more realistic). These peacekeeping activities are important because they imply possible participation of Ukraine, which also meets interests of the Georgian side.<sup>154</sup> We suppose that it would be much better if the EU makes use of the “Berlin Plus” arrangements, because that would give the US, as a NATO member country, some political control over the mission.

Despite the existence of many problems in the Black Sea region, one can already tell for sure that the region is firmly following the path of democratic development, and the so-called “Frozen conflicts” are main obstacles and major preventive factors on this road. Among those conflicts, the Abkhaz conflict is the only armed conflict on the Black Sea coast. The Abkhaz conflict represents the largest strategic danger for both Georgia and the whole Black Sea region. Actually it is a criminal enclave on the Black Sea coast which resulted from a local conflict purposefully inspired by Moscow, and that permanently threatens destabilization of the whole region. The existence of such an enclave at the Black Sea coast is no less serious a challenge to European security than terrorism, human trafficking and drug and arms smuggling. Thus, until the way out of this deadlock is found, the danger of destabilization in the Black Sea region will always exist, and, for that reason, the political security of Europe will not be fully guaranteed.

The resolution of the Abkhaz conflict is also necessary for Europe to protect its energy security and to make sustainable the energy corridor passing through Azerbaijan, Georgia and Turkey. Europe and America share a common interest in the success of this corridor, particularly as they seek to diversify their energy supplies away from Saudi Arabia and The Persian Gulf. The Black Sea region is poised to become a key conduit for Eurasia of non-OPEC, non-Gulf oil and natural gas flowing into European markets and beyond (one should bear in mind that the significance of the Black Sea as the main corridor of movement of energy resources between Europe and Central Asia will increase in the future). Therefore, the Black Sea region’s long-term stability, sustainable development and integration with the West are critically important for the long-term energy security strategy of the EU and NATO members. The EU and NATO should be more active, in order to establish a secure and stable Black Sea zone, which is impossible to be done without resolution of the conflict in Abkhazia, Georgia. The EU, in fact, does depend on Russian oil and gas very much, and it has to reckon with Moscow on many issues. Yet, we strongly believe that the EU must not yield to Russia in this strategic zone of the Black Sea.

So far, neither America nor Europe has made the Abkhaz conflict a top priority (regardless many attempts in the UN and the OSCE frameworks), partly because the resolution of this conflict requires hands-on political involvement, economic engagement, and a willingness to provide Western peacekeeping forces and monitors if and when they are needed (aimed at diversification of peacekeeping operation in Abkhazia).

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<sup>9</sup> On 13 June 2005, 9<sup>th</sup> sitting of the EU-Ukraine Council for Cooperation was held in Luxemburg where an Agreement was signed. Ukraine got the right of participation in the crisis management operations and operations under European Security and Defence Policy (ESDP) and Common Foreign and Security Policy (CFSP) under the Agreement.

But the long-term peace and stability in the Black Sea region will also require either a change in Russian behavior or a reduction in Russian political influence. Evidently, the main problem regarding the resolution of the Abkhaz conflict refers to the destructive policy of Moscow in this region. Moreover, Russia has no intention of changing its policy, and it still shows a confrontational approach toward Georgia. Russia can change its destructive policy in one case only - if the western world, Brussels and Washington in particular, exert strong diplomatic pressure on Russia at the highest level. Under 'the highest level' we mean such international forums as the G-8, the EU-Russia Council and the NATO-Russia Council (Any other level or format including the UN and the OSCE is insufficient, and that has been a proven fact for a long time). Only in those frameworks is it possible to make Russia agree on compromises with the West and to oblige it to show a more relaxed approach toward the Abkhaz issue.

In the case no structural changes, it is desirable for Georgia to take its place in Europe and in the world, and in case such external actors as the EU and the US do not intensify efforts to resolve the Abkhaz problem, a serious danger of keeping the status-quo for a long period of time will exist in the Abkhaz part of the Black Sea region. Such a situation will also mean having a slow-burning conflict hearth near the EU borders.

## Russian-Georgian Relations and European Security

Giorgi BAGATURIA\*

### Introduction

The negative attitude between Russia and Georgia goes away from intergovernmental relations, and has become the subject of anxiety of world community. The explosive international climate in the Caucasus is danger for European security as well.

From the first point of the view the reasons for such situation are clear, and they are well known for everybody. From Georgian point of view, these reasons are – the animosity of Russia that is expressed by its explicit support of separatist regimes in Abkhazia and Tskinali region; The Russian itch for restoration of the past empire, and to extend its military influence. From the Russian point of view these reasons are – Georgian aspiration for membership in NATO and the EU, hazardous occurrence of military camps of USA or NATO, which are, in posse, hostile forces to Russia.

Such situation is abnormal, because of Georgia and Russia are the natural allies against approaching common dangers of the future. But the enemies of Georgia and Russia “ably” graved damage to Russian-Georgian relations.

The goal of this article is to discuss the common dangers of civilization to make an attempt to find the ways to meet the crisis of mutual distrust between Georgia and Russia in accordance with cybernetic model of management. There will be discussed in the present work the principles of cybernetics and the essence of strategic criterion of optimality, with the aim of using them in the tasks of public management. The concept of multi criteria management object and strategic criterion has been developed for formalizing multi constituent public management. The efficient public management of multi-criterion system (Russian-Georgian Relations as a political-economic process) is possible only by optimizing the state strategic criterion.

### Russian-Georgian Relations as an Object of Public Management

From the scientific point of view,, namely using a cybernetic model, relations between countries is a typical object (process) of management [1]. The Cybernetic model gives an error-free possibility to fix the “narrow points” that prevent to solve the tasks of effective (optimal) management without «concealing» of any common fuzzy political ideas. In other words, the science of effective public management assists in solving the problem of the formation of civilized relations between countries from the point of real statehood interests, not interests of various parties, groups or Mafia. The fig. 1 shows the general structure of Russian-Georgian relations as a management model.

The solving problem of Russian-Georgian relations should be examined as a “black box“; the processes taking place inside are unknown or little known for us. At our disposal there are outside processes acting on the object and the reaction of the object on this influence, its response.

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\* Prof. Dr., Georgian Technical University

The task of optimal management of Russian-Georgian relations is to form and implement such decisions (managing influence) that will give opportunities to achieve the aims with consideration of social-economic and political processes taking place outside and inside of the object i.e. existing value of entrance factors and influence of "noise". If the object is society – we have to achieve its stability, economic prosperity, ideological harmony. For the states' relations, we have to consider their interests.

There are a lot of various interests – state, bureaucrats and apparatus, the government, parliament, business, military forces, society, humanity, CIS, EU, UN, etc. If we can determine the real criteria of Russian-Georgian relations, the way to achieve the goal will be discovered.

For checking upon how well we achieve planned goals, the criterion of estimation must be selected correctly. According to the criterion, we have to ascertain how effective our decision is, how we're approaching our goal. After decision making and its testing realization, it's important to analyze the feedback information. Decisions should be corrected, changed or finally realized according to feedback results. Maybe it's necessary to reconsider the criterion of optimality and demands of entrance factors too. The criterion is strategic if it can change in compliance with changing circumstance.

The structure of public management is similar to the general model of management, but the content of the object, the feedback link and acting factors will change. In this case the object of management is a political process or regime that transforms entrance factors (generally the will of electorate) into outdoor factors (laws, decrees) and provides the implementation of these laws. The entrance factors of the object are: the results of the election, public opinion, political thinking of the ruling party, communication between government and oppositional political elite, and the activity of media and civil society.

Political process, the functioning of the state, is influenced by the inside and foreign political-economic circumstances as well. The character and intensity of influence, the time and place of its appearance, aren't define in advance, particularly in the conditions of unstable political and economic circumstances. Generally, such situation is in the developing countries of transitive economics, especially in the CIS. Nonprogrammable and unpredictable action of political-economic circumstance as a rule makes negative influence of the functioning of the existing political system, so, the political-economic environment should belong to "noise" in accordance with point of management view. By the using of the feedback link theoretically, is possible the prognostication of influence of political-economic "noise" and the choice of relevant state strategy. In the conditions of effective and viable public management, the feedback influences on political system and forms various demands that finally will stimulate the achievement of ultimate state aims.

### **Public Management with Strategic Criteria**

In the problems of States' relations management it's especially necessary to discuss the multi-stage political and economic processes with multiple subjects. . Multi-stage objects of management are also countries-participants of big projects as TRACECA, GUAM, CIS, EU, UN, NATO, etc.

From the standpoint of cybernetics, such processes we represent as the multiple processes which have many separate political and/or economic stages (Autonomous republics or regions, separate districts). They have their entrance X, managing U and outdoor Y factors, they have own criterion of optimality K (criterion of local optimality). The ultimate aim of the public management process is determined by global criterion of strategic optimality W. The fig. 2 shows general structure of multi-stage process.

How is it possible to achieve the optimality of strategic criterion? Ultimately the effectiveness of public management is defined how it's considered in the demands of strategic criterion in the separate stages, using the link of feedback. In the authoritarian countries (including CIS), feedback is practically rejected, and that is the one of the main reasons for their slow development.

On the contrary, in case of full rejecting of centralized management, it's expected to create the centrifugal tendencies when the management of region is realized by optimization of local criterion, and the demands of strategic criterion is less considered. State governance of Independent Georgia until the latest period had this shortcoming (along with other system shortcomings). In the best case, when the optimality of local criterion of separate subjects is achieved, this doesn't give an opportunity to achieve the aim of state functioning, because only uniting the results of separate local optimality doesn't give global (strategic) optimum [1]. For example, to achieve the aims of the project TRACECA is possible only by common success i.e. by optimization of strategic criteria.

So, the decisions made in the separate stages must be optimal, not with separate, local criteria, but with criterion of strategic optimality, or, otherwise, with the ultimate aim of state development. From such a standpoint, local criterion can exist as the limitation of distinct area. The local results obtained with the best decision of any phase defined by strategic criteria maybe isn't the best immediately for this stage, but it should belong to the area limited by local criterion. For the effective management of multi-stage country (that contains many subjects) optimal decision of region must satisfy not criteria of local optimality of the region but the strategic criteria of the common state management. The local criterion should be used for fulfillment of engagements necessary for region.

So, the result of optimal decision belongs to the definitional domain and is the best according to the strategic criteria. Thus, the aim of optimal management of multi-subject and/or multi-stage political process is not optimization of local criteria  $Y_i = F_i(X_i, U_i)$ ,  $i=1, n$ , but multiple, multi-stage optimization of strategic criteria  $W = \Phi_i(X_i, U_i)$ ,  $i=1, n$ , with the demand  $K_i(Y_i) \subset \Omega_i$ , where  $\Omega_i$  ( $i=1, n$ ) – is the definitional domain of effective functioning of the given subject. According to strategic criterion of the multi-stage process the effectiveness of exit values of each stage is checked by the global, strategic criteria. Only this way guarantees optimal functioning of concerned process (technological, economic or political) - the achievement of ultimate aims.

Forming the government as a team creates opportunity to satisfy demands of strategic criteria, especially while solving economic tasks – the separate fields are developing not in the frame of autonomy but with the goal of realization of general state super-task. But even team principle isn't enough without using the feedback link, especially for the solving of political aims.



## **Conclusion**

The problems existing in nowadays Russian-Georgian relations are caused by rejecting the strategic criteria in the process of management. Using of above-mentioned methodology of management will rapidly gain important political effect. First of all, the participants of Russian-Georgian relations (not only Russian and Georgian governments) have to understand clearly - the most important strategic criteria of Russian-Georgian relations should be European and World security. From this point of view many contemporary problems of Russian-Georgian relations will be solved easily.

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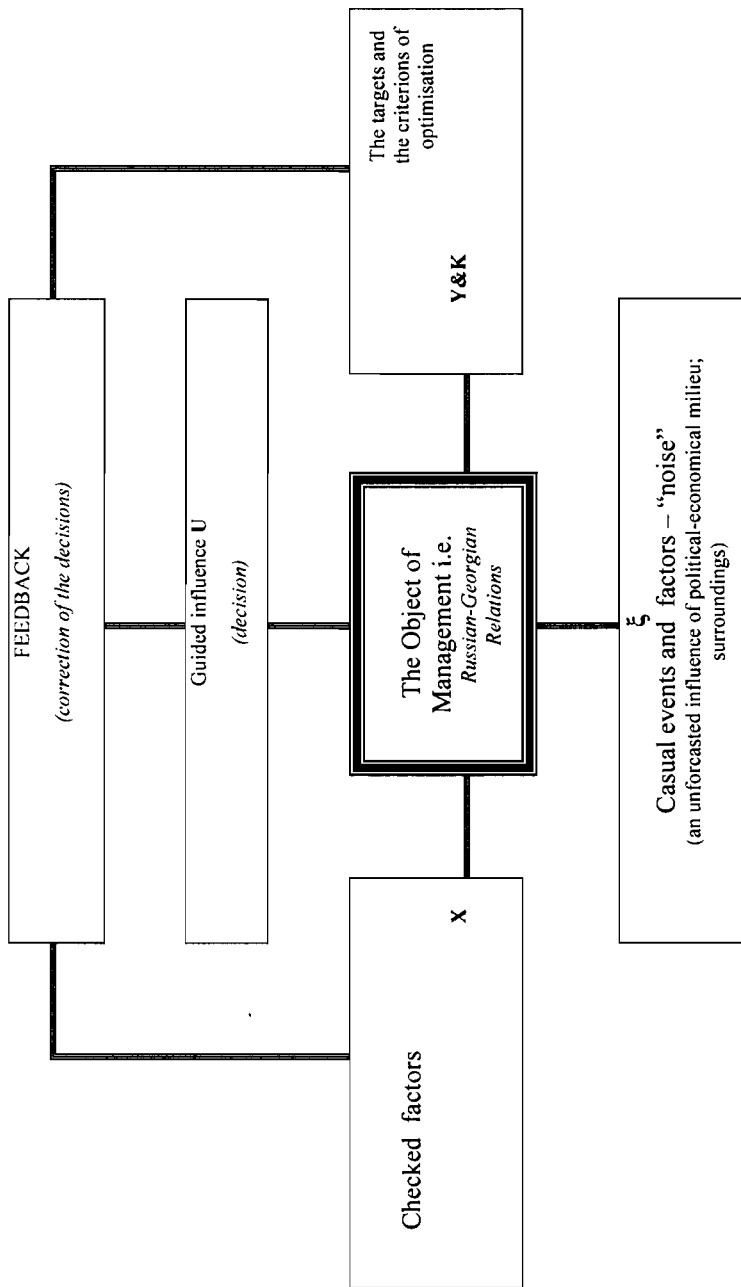
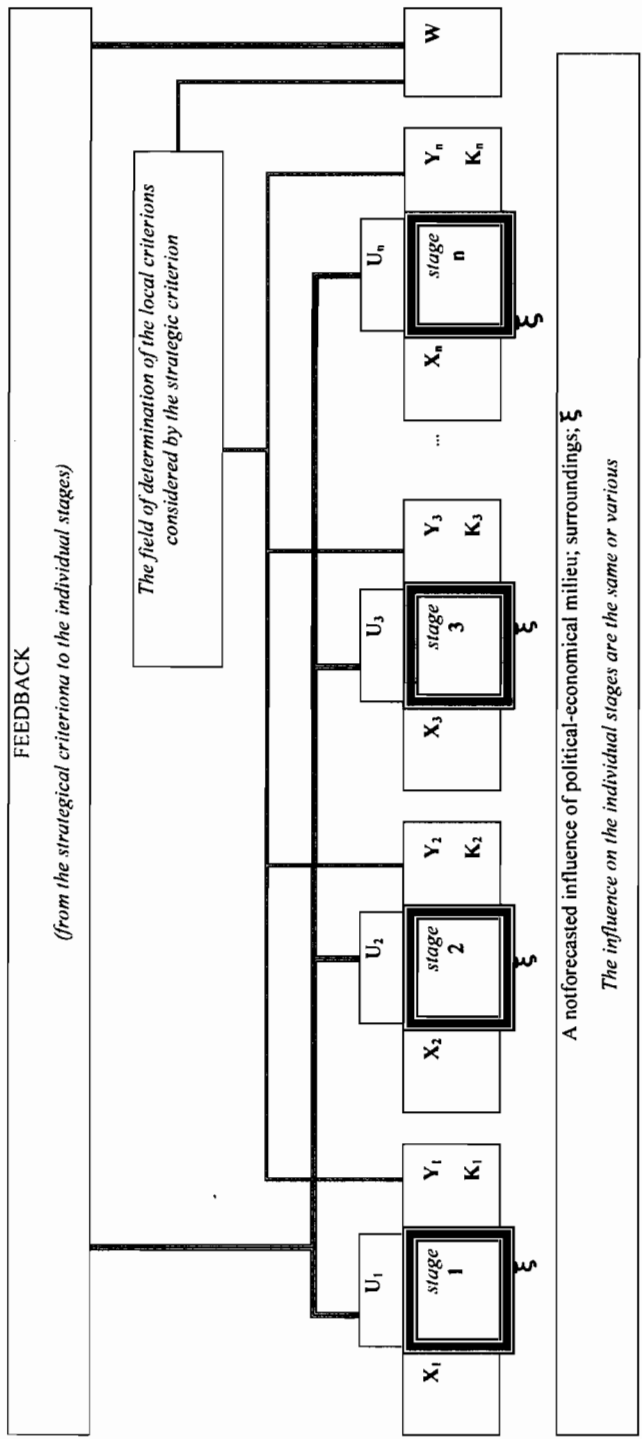


Fig. 1. The common structure of public management - cybernetic model



**Fig.2. The Strategic Optimization of the Multi-criterion Process**

# **Chapter III**

*Shaping EU's Policy In  
the Black Sea Region:  
From Bilateral To  
Regional Approach*

# **Silk Road: a Networking from East Asia to Europe**

## **A Synthesis Paper**

**Mohammed TAVAKOL\***

**Abstract:** The Silk Roads, no matter how and what they were called have been known to humankind not for a few centuries but for several millennia. Most of these routes are the remnants of natural roads. These historical roads, terrestrial and maritime running from the East to the West and from the North to the South, introduced sedentary and nomadic populations and opened up the space of dialogue to different cultures and the channel of communication to different socio-economic systems (civilizations). Ever since the Neolithic period between Mesopotamia, the Indian, and Chinese, Between Pamirs and Arabia and Africa, Central Asia and Europe, it was not only the commercial artifacts, jade, bronze, iron, and silk that was traded but there are ample testimonies that travelers, navigators, missionaries, pilgrims, merchants, scholars and explorers, exchanged also their ideas, customs, festivities, and other forms of material and nonmaterial culture. These “describe all there was to be seen, temples or palaces; all that was to be heard, songs and instrumental music; all that could be collected, stones and plants; and all that provided solace. Whether inns or stopping-places, markets or caravanserais, monasteries or sanctuaries.” The article will refer to historical, socio-economic, and political implications of this Silk Road.

### **Introduction**

The Silk Road was a collection of routes that stretched some 8,046 km from East Asia to the Mediterranean. It was originally composed of a number of caravan routes dating from around 300 BCE, along which jade was imported into China from the region around the Central Asian town of Hotan. Around 200 BCE, these routes were extended to meet the Middle Eastern road system. By 100 BCE, this link became an active trade route between the Mediterranean world and China.

The Silk Road was in use for over 2,000 years, and wheeled and caravan traffic was quite dense along certain stretches. The Silk Road reached the peak of its use during the fourteenth century; then decline set in. This was due to various factors, such as the disruption of traffic caused by the militant expansion of local rules, the fall of the Mongol Empire, and the drying up of many important oases along its routes. With the establishment of an alternate sea route between West and East (the "Spice Route") in 1497 by Vasco da Gama, the decline became irrevocable.

The Silk Road played a unique and central role in the processes of cross-cultural contact and exchange in the Old World. Goods, technology, ideas, and culture moved back and forth along its length. It was a principal conduit for the spread of Buddhism from India to Central Asia and China. Islam likewise arrived from the west along the Silk Road. Ideas about mathematics, astronomy, and medicine travelled east and west, along with different forms of music, dance, painting, and other artistic media. From China to the West passed silk, jade, spices, ginger, tea, peach and pear trees, porcelain, papermaking, printing, and gunpowder. From the West into China came glass, grapes,

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\*Dr., Tehran University & National Commission for UNESCO

cotton, wool, gems, ivory, and larger breeds of horses. Because of the vast distances to be covered and the expense of transport, long-distance trade along the Silk Road was usually limited to items of high value and low bulk. Ideas, on the other hand, moved back and forth with much greater freedom. The Paper goes in more detail to expand the above mentioned points.

In the history of international relations and of trade, few words are more evocative of mystery and opulence than Silk Roads (Seidenstrassen), the name coined by Baron Ferdinand von Richthofen in 1877 for the ancient routes that linked Asia and the West. Irresistibly romantic though the name may be, however, it is less than descriptive of the reality. Silk, China's famed and for centuries exclusive export, was not the only cargo carried by the caravans of camels that steadily made their way over treacherously shifting desert sands and ice-bound mountain passes. Through the centuries the caravans transported a host of natural and man-made products, both from East to West and from West to East.

The **Silk Road** (Traditional Chinese: pinyin, Simplified Chinese: sīchóu zhī lù, pinyin: sīchóu zhī lù; Persian: راه ابریشم; *Râh-e Abrisham*; Turkish: *İpekyolu*; Kyrgyz: *Жубек жолу* (*Ĝibek ğolu*); Hungarian: *Selyemút*) or **Silk Route** is an interconnected series of routes through Southern Asia traversed by caravan and ocean vessel, and connecting Chang'an (today's Xi'an), China, with Antioch, Asia Minor, as well as other points. It extends over 8,000 km (5,000 miles). Its influence carried over into Japan and Korea.



The Silk Road in the 1st century.

These exchanges were significant not only for the development and flowering of the great civilizations of China, ancient Egypt, Mesopotamia, Persia, India and Rome but also helped to lay the foundations of the modern world.

The continental Silk Road diverges into northern and southern routes as it extends from the commercial centers of North China, the northern route passing through the Bulgar-Kypchak zone to Eastern Europe and the Crimean peninsula, and from there across the Black Sea, Marmara Sea and the Balkans to Venice; the southern route passing through Turkestan-Khorasan into Mesopotamia and Anatolia, and then through

Antioch in Southern Anatolia into the Mediterranean Sea or through the Levant into Egypt and North Africa.

The last missing railroad link on the Silk Road was completed in 1992, when the international railway communication Almaty–Urumqi opened.

The Silk Road on the Sea extends from South China, to present-day Philippines, Brunei, Siam, Malacca, Ceylon, India, Persia, Egypt, Italy, Portugal and Sweden. On August 7, 2005 it was reported that the Antiquity and Monument Office of Hong Kong was planning to propose the Silk Road on the Sea as a UNESCO World Heritage Site.

### **Chinese and Central Asian contacts**

From the 2nd millennium BC nephrite jade was being traded from mines in the region of Yarkand and Khotan to China. Significantly, these mines were not very far from the lapis lazuli and spinel ("Balas Ruby") mines in Badakhshan and, although separated by the formidable Pamir Mountains, routes across them were, apparently, in use from very early times.

Following contacts of metropolitan China with nomadic western and northwestern border territories in the 8th century BC, gold was introduced from Central Asia, and Chinese jade carvers began to make imitation designs of the steppes, adopting the Scythian-style animal art of the steppes (descriptions of animals locked in combat). This style is particularly reflected in the rectangular belt plaques made of gold and bronze with alternate versions in jade and steatite.

### **Persian Royal Road**

By the time of Herodotus (c. 475 BC) the Persian Royal Road ran some 2,857 km from the city of Susa on the lower Tigris to the port of Smyrna (modern Izmir in Turkey) on the Aegean Sea. It was maintained and protected by the Achaemenid empire (c.700-330 BC) and had postal stations and relays at regular intervals. By having fresh horses and riders ready at each relay, royal couriers could carry messages the entire distance in 9 days, though normal travellers took about three months. This Royal Road linked into many other routes. Some of these, such as the routes to India and Central Asia, were also protected by the Achaemenids, encouraging regular contact between India, Mesopotamia and the Mediterranean. There are accounts in Esther of dispatches being sent from Susa to provinces as far out as India and Cush during the reign of Xerxes (485-465 BC).

The first major step in opening the Silk Road between the East and the West came with the expansion of Alexander the Great deep into Central Asia, as far as Ferghana at the borders of the modern-day Xinjiang region of China, where he founded in 329 BC a Greek settlement in the city of Alexandria Eschate "Alexandria The Furthest", Khujand (also called Khozdent or Khojent — formerly Leninabad), in the state of Tajikistan.

When Alexander the Great's successors, the Ptolemies, took control of Egypt in 323 BC, they began to actively promote trade with Mesopotamia, India, and East Africa through their ports on the Red Sea coast, as well as overland. This was assisted by the active participation of a number of intermediaries, especially the Nabataeans and other Arabs. The Greeks were to remain in Central Asia for the next three centuries, first through the administration of the Seleucid Empire, and then with the establishment of

the Greco-Bactrian Kingdom in Bactria. They kept expanding eastward, especially during the reign of Euthydemus (230–200 BC), who extended his control to Sogdiana, reaching and going beyond the city of Alexandria Eschate. There are indications that he may have led expeditions as far as Kashgar in Chinese Turkestan, leading to the first known contacts between China and the West around 200 BC.

### *Chinese exploration of Central Asia*

The next step came around 130 BC, with the embassies of the Han Dynasty to Central Asia, following the reports of the ambassador Zhang Qian (who was originally sent to obtain an alliance with the Yuezhi against the Xiongnu, in vain). The Chinese emperor Wudi became interested in developing commercial relationship with the sophisticated urban civilizations of Ferghana, Bactria and Parthia: "The Son of Heaven on hearing all this reasoned thus: Ferghana (Dayuan) and the possessions of Bactria (Ta-Hia) and Parthia (Anxi) are large countries, full of rare things, with a population living in fixed abodes and given to occupations somewhat identical with those of the Chinese people, but with weak armies, and placing great value on the rich produce of China" (Hou Hanshu, Later Han History).

The civilizations that developed in China and Mesopotamia are perfect examples of how people dealt with other cultures. There was a time when the two lived in complete ignorance of each other, separated by a vast and hostile wasteland known as Central Asia. Eventually, the civilizations of Western Asia and China would come in contact by way of an overland trade route known as The Silk Road. The inevitable encounter between East and West some 2000 years ago provides us with a guide for dealing with twentieth century effects of globalized economy, culture, race, and nationality. The vast amount of ideas and information that we encounter over the world wide web is not unlike the vast amount of ideas and information encountered on the Silk Road somewhere between China and the west.

Within Central Asia lies one of the most inhospitable deserts in the world. Here, there are little or no natural resources. In a land with little water, there is equally little vegetation or wildlife. Sand storms whip the sandy surface of this region burying anything in its path. This is the Taklimakan dessert, but local people call it "the Land of Death", or "the Land of Irrevocable Death". Such people rarely intruded into the interiors of the Taklimakan dessert. Instead they stuck to the path of the Silk Road and other routes which skirted the edges of the dessert. The Taklimakan has for centuries acted as a natural barrier between the East and West, however, it was not the only thing preventing contact.

The land surrounding the Taklimakan is equally hostile. To the northeast lies the Gobi Dessert, which is less dry and desolate than the Taklimakan, but nonetheless a formidable boundary. To the south lie the largest mountain ranges in the world - the Himalayas, Karakourum, and Kunkun. These giants separate Central Asia and the Indian sub-continent. Still another barrier separating east from west is the Pamir "Knot", a conglomeration of several mountain ranges including the Tianshan and Pamir ranges. Approaching the area from the east, the least difficult entry is along the 'Gansu Corridor', a relatively fertile strip separating the Mongolian plateau and the Gobi from the Tibetan High Plateau. Coming from the west, or south, travelers were forced to make their way through icy passes along the Pamir "Knot" and the Himalayas.



Chinese and Western civilizations developed on opposite ends of the continent in areas that were able to support life. The western end of the trade route developed first along the Fertile Crescent of Mesopotamia, while the eastern end developed more slowly due to the difficult terrain. The Chinese civilization advanced during the Qin Dynasty, when individual states unified under a central government located at Changan (present day Xian). Exploration of the west by the Chinese did not begin until the Han Dynasty when the emperor sent Zhang Qian on a mission to form an alliance with the Yuezhi tribe in the west. He began his journey in 138 BC and returned to his emperor's court 13 years later after being captured twice by an enemy tribe. Although Qian failed to secure an ally in the west, he brought back important information about a new breed of horse and hitherto unknown tribes in the west. More expeditions were sent west to retrieve horses and objects of beauty for the emperor. By this process, the route to the west was opened up. Many scholars regard Zhang Qian as the father of the Silk Road, but even before his expedition, small amounts of Chinese goods were reaching the west.

When considering the nature of the Silk Road, one must remember that there was no one silk route, but many routes, roads, and paths that head in an east-west direction. Some routes were well developed and relatively free from bandits, while others were less protected and had fewer oasis towns which offered shelter from the elements. A particular route along the southern edge of the Taklimakan was quite risky, but it took less time to cross. One thing that many of the routes had in common was a meeting point in Kashgar (Kashi). This city, located at the foot of the Pamirs, became one of the most important trade centers in Central Asia. This was the halfway point along the Silk Road where most traders sold their loads to middle men who would make the final transaction further down the line. So in reality, few traders actually made the transcontinental journey along the route; it was the goods that eventually made it from one side of Asia to the other.

The Silk Road did not exist for the sole purpose of trading silk. Although silk was most remarkable for westerners, it was only one of many items that were traded throughout the history of the Silk Road. Gold, precious metals, ivory, precious stones, and glass went towards China, while furs, ceramics, gun powder, jade, bronze objects, lacquer, and iron went west. All of these items went overland by way of caravan which consisted of anywhere to 100 to 1000 camels, each loaded with roughly 500 pounds of goods. Such caravans were extremely valuable and vulnerable to bandits; as such they needed escorts and a secure place to camp each night.

The development of Central Asian trade routes caused some problems for Han rulers in China. Bandits took advantage of the terrain to plunder trade caravans along the Gansu Corridor. As a result, trade began to suffer great losses at the expense of merchants at either end of the route. Han rulers answered this threat by constructing forts and defensive walls along part of the route. These sections were later combined to form the 'Great Wall' which still stands today as a testament to human achievement and suffering at the hands of determined emperors. Unfortunately, the wall along the northern side of the Gansu Corridor was not as effective as intended, as the Chinese periodically lost control of sections of the route. It became apparent to later Han rulers that in order to control the route, especially the Taklimakan region, a permanent local government had to be established. Once a local government in the Taklimakan region was secure, the growth of settlement along the routes really began to take off. Under the protection of the Han Empire, the settlements were able to reap the benefits of secure

and reliable trade. They also absorbed a lot of the local culture, and the cultures that passed them by along the route.

### **The Roman Empire and silk**

Soon after the Roman conquest of Egypt in 30 BC, regular communications and trade between India, Southeast Asia, Sri Lanka, China, the Middle East, Africa and Europe blossomed on an unprecedented scale. Land and maritime routes were closely linked, and novel products, technologies and ideas began to spread across the continents of Europe, Asia and Africa. Intercontinental trade and communication became regular, organised, and protected by the 'Great Powers.'

### ***Central Asian commercial & cultural exchanges***

The heyday of the Silk Road corresponds to that of the Byzantine Empire in its west end, Sassanid Empire Period to Il Khanate Period in the Nile-Oxus section and Three Kingdoms to Yuan Dynasty in the Sinitic zone in its east end. Trade between East and West also developed on the sea, between Alexandria in Egypt and Guangzhou in China, fostering the expansion of Roman trading posts in India. Historians also talk of a "Porcelain Route" or "Silk Route" across the Indian Ocean. The Silk Road represents an early phenomenon of political and cultural integration due to inter-regional trade. In its heyday, the Silk Road sustained an international culture that strung together groups as diverse as the Magyars, Armenians, and Chinese.

Under its strong integrating dynamics on the one hand and the impacts of change it transmitted on the other, tribal societies previously living in isolation along the Silk Road or pastoralists who were of barbarian cultural development were drawn to the riches and opportunities of the civilizations connected by the Silk Road, taking on the trades of marauders or mercenaries. Many barbarian tribes became skilled warriors able to conquer rich cities and fertile lands, and forge strong military empires.

The Silk Road gave rise to the clusters of military states of nomadic origins in North China, invited the Nestorian, Manichaean, Buddhist, and later Islamic religions into Central Asia and China, created the influential Khazar Federation, and at the end of its glory, brought about the largest continental empire ever: the Mongol Empire, with its political centers strung along the Silk Road (Beijing in North China, Karakorum in central Mongolia, Sarmakhand in Transoxiana, Tabriz in Northern Iran, Astrakhan in lower Volga, Solkhat in Crimea, Kazan in Central Russia, Erzurum in eastern Anatolia), realizing the political unification of zones previously loosely and intermittently connected by material and cultural goods.

The main traders during Antiquity were the Indian and Bactrian Traders, then from the fifth to the eighth c. the Sogdian traders, then the Persian traders.

The Roman empire, and its demand for sophisticated Asian products, crumbled in the West around the 5th century. In Central Asia, Islam expanded from the century onward, bringing a stop to Chinese westward expansion at the Battle of Talas in 751. Further expansion of the Islamic Turks in Central Asia from the 10th century finished disrupting trade in that part of the world, and Buddhism almost disappeared.

In the domain of Arts; many artistic influences transited along the Silk Road, especially through the Central Asia, where Hellenistic, Iranian, Indian and Chinese influence were able to intermix.

Religion was the most important commodity to be carried along the route. The religions of Central Asia owe much of their existence to the trade routes that carried them to Tibet, the Taklimakan region, and eventually China's ancient capital Changan. Buddhism came into China from India as early as the first century AD, and changed the face of Silk Road towns with monasteries and pagodas. Buddhism's influence was also seen in the art of the era, as more artists began using the image of the Buddha in their work. Later, Islam made it into the heart of China much the same way as Buddhism did before, but as we shall see, its ultimate effects contributed to the Silk Road's eventual decline. Christianity too was carried by European missionaries and took root in Tang China in 638 AD.

The Tang Dynasty was the height of the Silk Road's importance. Individual states assimilated thus decreasing the outside threats. Buddhist manuscripts and artwork continued to pour into China changing the look of the civilization as a whole. By 742 AD, the Changan had become an exotic metropolis, boasting a population of nearly two million, five thousand of which were foreigners from along the Road, as well as Japanese, Koreans, and Malays. Starting in 1206, the Mongols led by Genghis Khan conquered a huge portion of Asia. In China they established the Yuan Dynasty which lasted only about 160 years, but nonetheless was the center of the largest empire that the world has seen. The Mongol Empire enveloped the whole of Central Asia from China to Persia, and stretched as far west as the Mediterranean. Under the Mongols, the Silk Road became an important path for communication between different parts of the empire, as well as a protected trade route. The Mongols remained relatively sympathetic to different religions, nationalities, and creeds. It was at this time that the first Europeans began arriving in Mongol cities. Marco Polo is probably the most famous westerner to have witnessed the court of Kubilai Khan. He traveled extensively throughout China and brought back to Europe some of the first factual information about East Asia.

### **Mongol era**

The Mongol expansion throughout the Asian continent from around 1215 to 1360 helped bring political stability and re-establish the Silk Road (vis-à-vis Karakorum). In the late 13th century, a Venetian explorer named Marco Polo became one of the first Europeans to travel the Silk Road to China. Westerners became more aware of the Far East when Polo documented his travels in *Il Milione*. He was followed by others.

Many technological innovations from the East seem to have filtered into Europe around that time. The period of the High Middle Ages in Europe saw major technological advances, including the adoption through the Silk Road of printing, gunpowder, the astrolabe, and the compass. Also maps, larger ships,...

### **Disintegration**

However, with the disintegration of the Mongol Empire also came discontinuation of the Silk Road's political, cultural and economic unity. Turkmen marching lords seized the western end of the Silk Road — the decaying Byzantine Empire. After the Mongol Empire, the great political powers along the Silk Road became economically and culturally separated. Accompanying the crystallization of regional states was the decline of nomad power, partly due to the devastation of the

Black Death and partly due to the encroachment of sedentary civilizations equipped with gunpowder.

Many factors are attributed to the decline of the Silk Road. The Mongol Empire began to crumble as early as 1262, due to quarreling among regional Khans. In 1368, the Ming Dynasty regained control of China and immediately emphasized nationalism and isolationism in an effort to prevent future invasion. With the revival of Islam in the west and Chinese nationalism in the east, the controls on the land route once again rose. Trade by sea became less dangerous and more profitable than the long and arduous land route. Also, the demand for silk began to slump as European production was perfected and passed on. Perhaps the greatest factor contributing to the decline of trade along the Silk Road was geography. Maintaining existing settlements along the Taklimakan and Gobi deserts became increasingly difficult during that era of political unease. A lack of natural resources proved too stressful for many desert cities along the southern end of the Taklimakan region. Maintenance of wells, streets, and buildings was neglected in light of invasion from bandits, lack of trade, and a sometimes imposing religion from the West. Soon the old towns and religious sites were buried deeper beneath the sands.

The wish to trade directly with China was also the main drive behind the expansion of the Portuguese beyond Africa after 1480, followed by the powers of the Netherlands and Great Britain from the 17th century. As late as the 18th century, China was usually still considered the most prosperous and sophisticated of any civilization on earth, however its per capita income was low relative to western Europe at that time. Leibniz, echoing the prevailing perception in Europe until the Industrial Revolution, wrote in the 17th century: "Everything exquisite and admirable comes from the East Indies... Learned people have remarked that in the whole world there is no commerce comparable to that of China" (Leibniz).

In the 18th century, Adam Smith, declared that China had been one of the most prosperous nations in the world, but that it had remained stagnant for a long time, its wages always were low, and the lower classes were particularly poor.

In effect, the spirit of the Silk Road and the will to foster exchange between the East and West, and the lure of the huge profits attached to it, has affected much of the history of the world during these last three millennia.

### **The Present Day**

The Silk Road, after a long period of hibernation, has been increasing in importance again recently.

The fight of man against the desert, one of the biggest problems for the early travellers, is finally gaining ground. There has been some progress in controlling the progress of the shifting sands, which had previously meant having to resite settlements. The construction of roads around the edges of the Taklimakan has eased access, and the discovery of large oil reserves under the desert has encouraged this development. The area is rapidly being industrialised, and Urumchi, the present capital of Xinjiang, has become a particularly unprepossessing Han Chinese industrial city.

The trade route itself is also being reopened. The sluggish trade between the peoples of Xinjiang and those of the Soviet Union has developed quickly; trade with the C.I.S. (author's note: C.I.S. is the "Commonwealth of Independent States" which (used

to be) the official title of the new countries formed after the collapse of the Soviet Union. Probably "new republics of the former Soviet Union" would now be more appropriate.) is picking up rapidly, with a flourishing trade in consumer items as well as heavy industry. The new Central Asian republics had previously contributed much of the heavy industry of the former Soviet Union, with a reliance for consumer goods on Russia. Trade with China is therefore starting to fulfill this demand. This trading has been encouraged by the recent trend towards a 'socialist market economy' in China, and the increasing freedom of movement being allowed, particularly for the minorities such as those in Xinjiang. Many of these nationalities are now participating in cross-border trade, regularly making the journey to Kazakhstan and Uzbekistan.

The railway connecting Lanzhou to Urumchi has been extended to the border with Kazakhstan, where, on 12th September 1990, it was finally joined to the former Soviet railway system, providing an important route to the new republics and beyond. This Eurasian Continental Bridge, built to rival the Trans-Siberian Railway, has been constructed from Lianyungang city in Jiangsu province (on the east China coast) to Rotterdam; the first phase of this development has already been completed, and the official opening of the railway was held on 1st December 1992. It is already promised to be at least 20% cheaper than the route by sea, and, at 11,000 kilometres, is significantly shorter. From China, the route passes through Kazakhstan, Russia, Byelorussia, and Poland, before reaching Germany and the Netherlands. The double-tracking of the railway from Lanzhou to the border of the C.I.S. has now been put high on the Chinese development priority list.

### **Conclusions**

From its birth before Christ, through the heights of the Tang dynasty, until its slow demise six to seven hundred years ago, the Silk Road has had a unique role in foreign trade and political relations, stretching far beyond the bounds of Asia itself. It has left its mark on the development of civilisations on both sides of the continent. However, the route has merely fallen into disuse; its story is far from over. With the latest developments, and the changes in political and economic systems, the edges of the Taklimakan may yet see international trade once again, on a scale considerably greater than that of old, the iron horse replacing the camels and horses of the past.

The specific role of the Silk Roads is in the destiny of so many people and so many communities is involved. A dialogue between cultures means exchanges not only of goods but also of ideas. The very term commerce suggests the exchange of objects as much as that of ideas. In this instance, as else-where, the term comprises two meanings: trading, admittedly, but also points of view, discussions, or even deliberations. In these circumstances, "the silk trade serves as a reactive agent and provides topical illustrations in the light of which history can be viewed not merely in economic but also in political, cultural and religious terms".

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# Regulatory and Competition Reforms in Georgia: Challenges and Problems

Ketevan LAPACHI\*

**Abstract:** As part of regulatory reform, restructuring and privatization has been accompanied by the substantial deregulation of several industries (including telecommunications, airlines, trucking, financial markets etc) and introduction of new regulatory and competition agencies. But actually, the reforms carried out during 1992-2003 have not produced expected benefits.

It is clear that Georgia faces the challenge of re-organizing country competition and regulatory regimes. The Georgian Government attempts to implement major economic deregulation initiatives, aimed at narrowing the scope of regulation, broadening the role for private markets to allocate resources improving general efficiency and welfare of society.

This paper has the following subjects:

- to examine industry regulatory and competition laws and appropriate enforcement practice to seek the degree to which the existing regulatory regime is friendly to investor and whole society;
- to elaborate suggestions to make regulatory system more transparent and effective;
- To make suggestions for changes of competition law to reflect universal competition principles and rules included in the appropriate provisions of the EU Treaty and the UNCTAD's Set on Multilaterally Agreed Set of Equitable Principles and Rules for the control of restrictive business practices.

## 1. Introduction

"Recent decades have seen countries around the world embark on bold reforms to improve the state's capacity to regulate economic activity. While evidence of this movement can be found in most fields of regulation, the trend is particularly marked in regulation aimed at controlling the creation or exercise of market power. Regulatory interventions in this area traditionally fall within two distinct categories: utility regulation aimed at controlling the pricing and other behaviour of monopolistic firms that provide essential infrastructure services and competition (or antitrust) regulation, aimed at protecting the competitive process in most other parts of the economy. Regulatory schemes comprise two key elements: rules establishing the boundaries of permissible conduct, and institutions charged with administering and enforcing those rules"<sup>155</sup>.

There is a common consensus that for proper functioning the competition and other regulatory bodies must have both functional and financial autonomy. The independence is even more important in developing countries where state owned enterprises still exist.

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\* PhD, National Securities Commission of Georgia

<sup>155</sup> Regulatory Institutions for utilities and competition, international experience, by Warwick Smith and R. David Gray

As part of regulatory reform restructuring and privatization has been accompanied by the substantial deregulation of several industries (including telecommunications, airlines, trucking, financial markets etc) and introduction of new industry regulatory and competition agencies around the world. As well as in many other countries, creating independent regulatory institutions has become a key element of utility sector reforms in Georgia. However, as it practices evidences, actually, the reforms carried out during 1992-2003 have not produced expected benefits. As to the recent changes in field of economic regulation, it is clear that the Georgian Government attempts to implement major economic deregulation initiatives, aimed at narrowing the scope of regulation, broadening the role for private markets to allocate resources improving general efficiency and welfare of society. But it is also evident that Georgian regulatory reforms does not produced expected benefits, the regulatory regime in Georgia is not cost effective and competition policy is under the crisis. Presently, Georgia still faces the challenge of re-organizing country competition and regulatory regimes.

In this situation it is necessary:

- to examine industry regulatory and competition laws and appropriate enforcement practice to seek the degree to which the existing regulatory regime is friendly to investor and whole society;
- to elaborate suggestions to make regulatory system more transparent and effective;
- To make suggestions for changes of competition law to reflect universal competition principles and rules included in the appropriate provisions of the EU Treaty and the UNCTAD's Set on Multilaterally Agreed Set of Equitable Principles and Rules for the control of restrictive business practices.
- etc.

## **2. Regulatory Reforms: Lessons from International Practice**

There are some common elements that designers of regulatory agencies need to address. Among them must important issues that still are subjects for continuous debates are: the scope of regulatory activities, independence and accountability, regulatory design, decision making structure, resources and etc.

In designing regulatory systems, policymakers need to resolve two fundamental challenges: how much discretion should regulatory systems contain and how should that discretion be managed to reduce the risk of its misuse.

The utility regulation aims: to protect consumers from abuse by firms with monopoly market power, to support investment by protecting investors from arbitrary action by the government, to promote economic efficiency and development of sound competition.

According to international experience regulation can be carried out by the government ministries, independent regulators, or courts. The nature of the regulatory institutions can affect not only the style of regulation, and strategies, but also the success with regulatory ends is achieved. The choice among these types of regulators is ultimately a pragmatic one. But there is common consensus that if a country government really wants to attract a serious private investments in liberalized



infrastructure sectors, it has to adopt a new style of regulation – regulation by the independent regulatory institutions”( regulation that is limited, transparent and „lets managers to manage”).<sup>156</sup>

The rationale for creating specialist institutions lies in the nature of the tasks required by economic regulation, the characteristics of infrastructure industries and conflicting interests of the main stakeholders.

The tasks of utility regulation in network industries are complicated by several related reasons/conditions that militate in favor of independent regulatory agency. Among them are: a) scope and nature of investments in utility /infrastructure sectors;

b) Conflicting interests of main stakeholders (Namely: consumers do not care whether the monopoly is natural or unnatural. They simply want to be protected from monopoly prices and monopolistic behavior of suppliers. As to investors, they also need protection. Once they invest in infrastructure sectors and their investments have no value in other uses, they are vulnerable to being held economic hostage. Government regulation is needed to convince investors that they will recover reasonable costs and earn a profit commensurate with the risk they take.

Accordingly, “there are the three related considerations that militate in favor of independent regulatory agencies.

- First, since utility services are perceived to be essential and the majority of consumers are also voters, government's face pressures to use regulation to achieve short term political objectives. Independent regulators with fixed terms and operating at arm's length from political processes are less likely to encounter such pressures."

- Second, the utility investments are typically large and immobile, and investors will be unwilling to take risks in such projects in the absence of credible commitment on the part of the government to ensure opportunities for reasonable return on their investment. Where the credibility of this commitment is in doubt, investors will demand higher returns to compensate for the increased risk, which translates into higher cost of capital and hence higher tariffs. Investors are aware of the pressures faced by political authorities and generally have more confidence investing in countries and sectors regulated by independent agencies."

- Third, creating credible commitments is rendered more difficult by the long-term nature of most utility investments. There may be several changes in power in the government over the life of a typical infrastructure investment. Appointing IR with fixed terms that that are not co-extensive with that of the government may help reassure investors that regulatory treatment of their investments will not change with every change in the government".<sup>157</sup>

In addition, industry regulation often involves making decisions on politically sensitive matters. This is most clearly with public utility regulation. There are no votes

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<sup>156</sup> Utility Regulators: The Independence Debate by Warlock Smith. - The Private Sector in Infrastructure The IBRD/the World Bank, 1997. pp.22-24

<sup>157</sup> Regulation: What the Prime Minister Needs to Know by Bernard Tenenbaum. The Electricity Journal. March.1995. pp 28-33

in rising utility prices, and history is replete with examples justifiable price increases being withheld at the expense of investors and the long term interests of consumers. , Tariff increases are never popular with consumers, who usually constitute a very large proportion of voters, political authorities than often face strong pressures to withhold justified tariff increases to avoid popular criticism. However, the possibility that regulation will be administered in this way creates risk for investors in typically capital intensive and immobile assets. Unless these risks are mitigated investors will withhold investment or demand risk premium, resulting in reduced investment and higher tariffs for end-users. Regulatory risk can deter investors, increase the cost of capital, increase required tariffs and/or reduced proceeds from privatization. To day no fully satisfactory method exists for measuring the impact of particular regulatory system design on the cost of investment capital. However it is clear that if government has different from stakeholders aims and some regulator is not independence commission but government ministry it will not be able to adopt impartial regulatory decision, especially in situation when the part of the industry remains in state ownership. All the above mentioned makes it clear that, Old style regulation is not an option for any country serious about encouraging significant, sustained investment in its infrastructure sector. “Unless the government has made a credible commitments to rules that ensure an opportunity to earn a reasonable returns, private investments will not flow. Weak credibility will be reflected in higher capital cost and thus higher tariffs. In privatization this translates into smaller proceeds from sales of existing enterprises and higher financial costs for new projects”<sup>158</sup>.

The design of regulatory institutions involves trade-off between many competing objectives. For example: the goal of independence needs to be balanced with the goal of ensuring adequate accountability; the goal of fostering industry specific focus and expertise needs to be balanced with against the goals of facilitating coordination between industries and realizing economic of scale; the goal of integrating all regulation of particular industry in one agency may be need to be balanced against the goal of integrating economic wide regulation on competition, the environment and other issues. Similar trade-off affect most issues of agency design.

There is no doubt that there are a number of reasons for creating independent regulators. However it should be noted that the independence must be understood as a relative than absolute concept. In any system it is needed to reduce the risk of improper political interference, not to provide ironclad guarantees. According to the international experience three basic notions of independence are:

- An arms relationship with regulated firms, customers and other private interests
- An arm’s length relationship with political authorities
- The attributes of organizational autonomy such as embarked funding and exemption from civil service salary rules necessary to foster the requisite expertise and to underpin those arm’s length relationship.<sup>159</sup>

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<sup>158</sup> Regulation: What the Prime Minister Needs to Know by Bernard Tenenbaum. The Electricity Journal. March.1995. pp 28-33

<sup>159</sup> Utility Regulators – Creating Agencies in Reforming and Developing Countries. By Warrick Smith. International Forum for Utility Regulation. UK, June 1996

The design of, effective” regulatory institutions involves defining the proper regulatory scope and policies. There is a growing literature on what constitutes an effective regulatory system. According to the widespread opinions, effective regulatory institutions must be characterized by clarity of roles and objectives, autonomy from political system, wide participation by relevant stakeholders, accountability to outside agencies, transparency of decision making process and predictability of decisions. In many large developed countries (such as UK and USA) regulator possess most, if not all, of desirable characteristics”, but the economic and social structure of small developing countries may act as obstacles in achieving them”. In Low income developing countries the problem of the supply of adequate human capability is quite acute. The problem in low income countries seems to be exacerbated by their prevailing poor governance and corrupted structure. The 2002-DR stresses the importance of clear governance rules for developing countries. It reports that in general lower income countries tend to have more barriers to regulatory reforms and to the introduction of competition”. This also implies that poor governance rules not only affect the number of personal that regulatory institutions can employ, but also the ability of such staff to function effectively”.<sup>160</sup>

According to the same author "a pervasive feature of many (but by no means all) developing countries is the high level of government corruption, which increases the need for uncorrupt, professionally trained staff in regulation, in order to counterbalance the more difficult governance structure. However government in countries with high levels of corruption may also wish to use utility regulators (particularly Ministry Regulators) as a method of creating jobs – or jobs for favored people. In such a situation the qualifications the professional staff may be doubtful quality and relevance. Also there may be unwillingness on the part of appropriately qualified professionals to work in the regulatory agencies where governance is poor and/or corruption is widespread. In this circumstances, the recruitment policies of the regulatory institutions are likely to be subject to political pressures of various kinds”.<sup>161</sup> One of the main conclusions of the studies is that even in the face of some political instability the existence of independent institutions and a professional and competent judiciary can assure better policy stability even in developing countries”

Creating an effective independent agency no easy task for any country and it is even more challenging in countries with limited traditions in regulation through the independent regulators limited regulatory experience and capacity. The two main elements of independence – isolation from improper influences and measures to foster the development and the application of technical expertise can be a source of resistance to improper influences and organizational autonomy helps in fostering technical experience.

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<sup>160</sup>. Modeling the Costs of Energy Regulation: Evidence of Human Resource Constraints in Developing Countries by Preetum Domah, Michael Pollitt, and Jon Stern. [http://papers.ssrn.com/sol3/papers.cfm/abstract\\_id=371600](http://papers.ssrn.com/sol3/papers.cfm/abstract_id=371600)

<sup>161</sup> Modeling the Costs of Energy Regulation: Evidence of Human Resource Constraints in Developing Countries by Preetum Domah, Michael Pollitt, and Jon Stern. [http://papers.ssrn.com/sol3/papers.cfm/abstract\\_id=371600](http://papers.ssrn.com/sol3/papers.cfm/abstract_id=371600)

Some argue those governance traditions in some countries make independence illusory "If the palace calls, the regulator will comply." First and foremost the independence must be understood as a relative than absolute concept. In any system the goal of independent regulation can only be to reduce the risk of improper political interference, not to provide ironclad guarantees.

Most systems meet these goals through the following safeguarding requirements/ mechanisms:

- Ensuring the regulator is separate from regulated firms, including state-owned firms
- imposing restrictions on conflicting interests
- Imposing restrictions on subsequent employment
- a clear mandates to make relevant decisions free from political direction
- expressing the regulators mandate and key safeguards of independence in a legal instrument that cannot easily be amended or changed
- appointment criteria and processes to reduce partisan appointments
- fixed term appointments, restrictions on arbitrary removal
- exemptions from civil service salaries
- access to ear-marked funding
- rigorous transparency requirements
- appeals from regulator's decisions
- performance scrutiny by public audit offices
- budget scrutiny by legislature <sup>162</sup>

The similar safeguarding mechanisms are introduced by the Georgian Laws "On Independent National Regulatory Bodies", "On Telecommunication", "On Electricity and Gas", "On Securities Market" etc.

As to the scope of activities of the independent regulator, according to the international experience they can be established on three main basis – industry specific (a separate body for each industry); sector-wide (a body established for each more broad sector such as energy or transport); multi-sectoral – a single body for all or most industries. Each of these models has own advantages and disadvantages. For example, a multisectoral agency has several potential advantages including: sharing resources, reducing risk of capture by the industry, reducing risk of political capture etc. It is recognized that multi-sectoral agency offers advantages over the alternatives, especially for small and resource scarce developing countries. "Certainly the arguments for such agencies are especially strong in these cases though the California example is clear evident that multi sectoral agencies are efficient in big countries too" <sup>163</sup>.

In the article "What the prime minister needs to know" Bernard Tanenbaum wrote that: The transition from state-led to market economy is far from complete and market opening will likely continue for a several decades. Before the adoption of

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<sup>162</sup> Utility Regulators Decisionmaking Structures, Resources and Start up Strategy, by Warrick Smith

The Private Sector in Infrastructure The IBRD/the World Bank , 1997

<sup>163</sup> Regulatory Institutions for utilities and competition, international experience, by Warrick smith and R.David Gray

regulatory decisions concerning the regulatory reforms the nine basic design questions must to be answered whenever a new regulatory system is required.<sup>164</sup>

- Should there a single regulator or a commission?
- Should the regulatory entity have jurisdiction over one sector or several? What activities or parameters should be regulated
- What are the control mechanisms for prices and quality
- How are regulatory rules created and enforced
- Should the regulatory entity be independent of government
- Should be regulatory process be transparent
- Who regulates the regulator
- How should responsibility be divided between the regulatory entity and other government authorities?

It is difficult to say whether the Georgian policymakers answered the similar questions ten years ago.

I strongly believe that the creation of the narrow specific independent regulatory bodies for each regulated industry is not economically reasonable. I can not be agree with Georgian, sense” of independence that is different from meaning established in international practice. Independence in Georgia is understood as absolute dimension. However according to the following extracts, it is clear that improper understanding of regulatory independence is not only Georgian problem. For example:”No regulatory entity can be truly independent (it is the creature of government because it was created by government”, “What people mean under the independence of Regulatory entity is a government entity that does not have to get the approval of the prime-minister or other high level political authorities to raise (or lower) tariffs”, Independence does not mean an absence of accountability. There is still accountability but, it is to the tariff standards in the law, not to the minister”, “ The main misunderstanding arises from confusion about the reason for independence, ” Independence is not an end in itself but a means to an end. What ultimately matters is not whether the regulatory entity is independent, but whether the government can give a credible commitment to investors and consumer.”

At the same time one should remember that: Regulation is not a magic bullet and it won't work in the absence of basic political commitments to protect consumers and investors. In fact the regulation is nothing more than a system that allows a government to formalize and institutionalize these two commitments. If these fundamental commitments do not exist, regulation becomes nothing more than a system of empty formalities”.

According to the OECD review of experiences in member countries Scot Jacobs wrote that independent regulators in many countries have not resolved many serious regulatory failures and they have created many new potential problems that have not been adequately assessed. Namely:

- Independent regulators can reduce political will for real reform;

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<sup>164</sup> Regulation: What the Prime Minister Needs to Know by Bernard Tenenbaum. The Electricity Journal. March.1995. pp 28-33

- the risk of capture can be high;
- Independent regulators can slow the larger adjustment of the sector, and therefore lose the potential gains to economic growth and consumer welfare.
- "In many countries the relationship with competition authority is confused. That is, sectoral regulators are responsible for dealing with classical competition problems, under their own statutes rather than under the competition law. The result of this is to fragment competition principles so that different principles apply to different part of the economy. This is extremely risky and has produced conflict and confusion in some sectors in some countries. General regulators are usually not competent to apply competition law – this has been shown by mistakes made in many countries. The OECD is firmly of the view that there should be a single, economy wide framework of sound competition policy principles that is applied equally everywhere. Sector specific regulatory regime and independent regulators should not be able to establish sector specific competition policies."<sup>165</sup>

According to the same author, the second generation of market reforms must take more seriously the question of how can a government can design an independent regulator in order to minimize risk of rigidity, capture, and non-accountability. According to recommendations the future reforms should be based on the following key principles:

- minimize the need of regulation by getting the industry structure right from the very beginning;
- thoroughly assess the design of the regulator in light of the evolution of the industry/sector. Adaptation over time to changing conditions will be essential;
- establish close working relations with the competition authorities to preserve consistency in the economy wide competition policy;
- get the framework conditions right;
- establish clear appeal processes and judicial procedures;
- Balance independence with political accountability,<sup>166</sup> etc.

### 3. Georgian Regulatory and Competition Reforms

As well as in many postsocialist countries, In the last decade demonopolization, restructuring and privatization has been accompanied by the substantial deregulation of several industries (including telecommunications, airlines, trucking, financial markets etc) and introduction of new regulatory agencies, including the Communications Commission, and the Energy Regulatory Commission etc. In addition the State Antimonopoly Service was created with a broad range of functions in fields of competition and consumer's protection (It should be noted that there were not

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<sup>165</sup> Independent Regulators Adopted from "The Second generation of Regulatory Reforms" paper by Scot Jacobs at the IMF Conference on Second Generation of Regulatory Reforms. November 1999, Washington DC

<sup>166</sup> Independent Regulators Adopted from "The Second generation of Regulatory Reforms" paper by Scot Jacobs at the IMF Conference on Second Generation of Regulatory Reforms. November 1999, Washington DC

established clear boundaries of responsibilities among the above mentioned structures, as well as effective appeal system).

But actually, some argue that nothing was changed for main stakeholders - the major expected benefits (reducing prices for services and products, increasing choice and quality) of regulatory reforms have not been achieved. Many issues remain contentious, among them is topic of agency independence that is the subject of continuous debate and different interpretations. The process of designing proper structures needs to resolve two fundamental challenges: how much discretion and how to reduce risk of misuse of independence? As it practice evidences the “independence” creates problems with accountability in Georgia (as well as in many other countries). Many Georgian policymakers don’t understand and/or recognize that “independence” is not an absolute dimension and no regulatory agency is independent from the governing system, since it operates under laws that can be changed. Existing regulatory agencies have problems with clarity, roles and objectives, and are characterized with resource constraints and weak enforcement practice, lack of transparency, independence and autonomy from political system. In addition, comparing the costs of regulation with impacts it is clear that:

- the regulatory reforms are not effective and benefit only narrow groups of people rather than the whole of society;
- The reforms carried out during 1992-2003 have not produced expected benefits (reducing prices for services and products, increasing choice and quality). In addition there are the problems with continuity of supply, quality of services, collective cuts, etc.;
- there are the problems of overlapping tasks between competition and industry regulatory bodies;
- Competition policy in force is weak and fragmented in regulated sectors.

Many experts suggest that utility regulatory agencies should be characterized by:

Independence, clarity, autonomy, wide participation of stakeholders, accountability, transparency of decision making process, predictability of decisions. In addition, the supply of trained staff is necessary for effective work.

According the empirical studies, in spite of improved regulatory agency design the Georgian National Regulatory Commissions are not really independent from political system and characterized by transparency of decision making process and predictability of decisions.

According to the widespread opinion, the independence of a regulatory agency is considered in three elements:

- arms length relationship with regulated firms, consumers and other private interests;
- political independence
- Financial independence i.e. one of the main elements of autonomy (exemption from civil service salary rules).

In the Georgian examples, we can say that our industry regulatory commissions comply only with third criterion, partially comply with second one and unfortunately, we can not say the same about first criterion.

There is an established common consensus on how to ensure that independence is balanced with accountability. The following measures are recommended by international organizations to ensure that regulators are accountable for their action:

- transparency, including open decision making and publication of decisions and the reasons for those decisions;
- prohibiting conflict of interests;
- existence of effective appeal systems
- provision for scrutiny of budgets usually by legislation
- Subjecting the regulators conduct and efficiency to scrutiny by external auditors or other public watchdogs.

Instead the following these tenets in Georgia, many ignore the principles of accountability not only in practice, but also at legislative levels.

It should be noted that the question of how to balance the tension between democratic accountability with the decision making independence of regulatory bodies is notoriously difficult. In some countries the balance is biased toward establishment of independent regulatory bodies whose heads are shielded from political intervention in case-by-case decisions, but at the same time their authority rests on laws that can be revised by parliament.

The debate over the independence of regulatory agencies is not unique to utilities. Confusion exists over what independence entails, why it is important, and how it can be reconciled with accountability. Some governments are reluctant to surrender policy control over regulatory decisions. First and foremost, there is common consensus in literature that independence must be understood as a relative rather than as absolute concept. The goal of the creation of independent regulatory agencies can only be to reduce the risk of improper political interference/intervention, but not to provide ironclad guarantees.

Striking the proper balance between independence and accountability is notoriously difficult. However, the practical evidence is that a growing number of countries seek to achieve this balance through special measures, including:

- provision for scrutiny of the budget;
- Subjecting regulator's conduct and efficiency to scrutiny by external auditors and other independent public watchdogs.

In practice this, "independence" creates problems with accountability in Georgia. Many Georgian policymakers don't understand or don't recognize that "independence" is not an absolute dimension and no regulatory agency is independent from the governing system, since it operates under laws that can be changed. It seems that (for example in the case of GNERC – the Georgian National Energy Regulatory Commission) the dimensions of accountability are being neglected in the rush to independence. The clear example is the law "On Independent National Regulatory Bodies" adopted by the Parliament of Georgia adopted on June 21 of 2002. It should be noted that there are a number of general and special legislative Acts operating in parallel



with this law. These Acts regulate both legal and organizational status and the rights and obligations of such bodies as GNERC, GNCC (Georgian National Communications Commission) etc. In addition the law "On Legal Persons of Public Law" provides for the possibility of the assignment of special regulatory powers of the State to subjects of law in different fields. Such a delegation is admissible only according to a special sectoral law.

As regards the law, On Independent Regulatory bodies it applies to the Georgian National Communications Commission (GNCC), and the Georgian National Energy Regulatory Commission (GNERC), the State Agency for Oil and Gas Revenues, and, every body which under the Georgian legislation will acquire the function of independent regulation of special fields in future and which, under this law and Georgian legislation, is an independent regulatory body".

According to this law, the basic principles of independence are provided (I can say "Georgian principles of independence") and inadmissibility of any type of control with regard to the regulatory body is one such principle.

This law is focused upon securing the independence of the regulatory bodies that explicitly regulated existing sectoral legislation.

It is clear that Georgian legislation ignores one of the main tools for achieving the balance between the independence and accountability of regulatory bodies. It is said that the above mentioned law was adopted to prevent the scrutiny of GNERC by the Chamber of Control.

The transition from state-led to market economy is far from complete and will continue for several decades. The success of reforms depends on the capacities and effectiveness of new institutions, especially the newly established regulatory agencies that regulate relations between the state, market participants and civil society. Creating independent regulatory agencies has become one of the key elements of reform in transition countries. According to worldwide principles, public utility regulatory agencies can be organized on three main bases: industry specific, sectoral, and multi sectoral. Each of these models has a number of advantages and disadvantages. There are suggestions that multi-sectoral agencies offer advantages over the alternatives, especially for small and poor countries like Georgia (though in practice they are also effective for countries with big economies - such as California). There is another rule: if more than one agency is involved in regulating utilities, the role of each of them should be defined as clearly as possible, to avoid duplication, uncertainty and turf disputes.

In addition the State Antimonopoly Service was created (in 1997) with a broad range of functions in fields of competition and consumer's protection. It should be noted that clear boundaries of responsibilities were not established. In addition, in parallel with the adoption of new laws and the creation of new institutions appropriate changes and amendments were not made in the existing law (clear examples are the law "on Prices and Price Foundation Principles" and the State Price Control Inspection). "In this regard it is interesting to examine a commentary on the law "On Prices and Principles of Price Formation" of the foreign experts working in Georgia. For example: "The law "On Monopolistic Activity and competition" is the foundation of Georgia's commitment to free and open markets. Under the provisions of this law, the State Antimonopoly Service is responsible for preventing barriers to competition and reducing or eliminating monopoly problems. The long-term success of Georgia's

economic reform program will largely depend on the degree to which Antimonopoly law is enforced. Unfortunately competition policy is jeopardised by the law “On Prices and Principles of Price Formation (1997). (See: CEPAR Economic Commentary Report #6, The Law “On Prices and Principles of Price Formation” A Barrier To Free Markets, Prepared by Larry Morgan, November 1997).

Besides, comparing the costs of regulation with their impact we can conclude that regulatory reforms in Georgia are not cost effective, and benefit only narrow groups of people rather than the whole of society.

According to worldwide practice, regulatory tasks, like other government functions, were traditionally funded from general tax revenues. Presently, most regulatory agencies obtain their income from levies on consumers. The levies may be charged directly (in case of energy regulation in Georgia where the special component is included in consumer tariff structure) or collected indirectly, by imposing a levy from regulating firms; allowing them to pass the cost on to consumers through tariff. This approach is used in many countries. It reduces demands on general tax revenues (from the state budget) and imposes the financial costs of regulation on the primary beneficiaries (consumers). Another approach is funding from state budget ensuring that regulatory agencies have a reliable source of income and thus is a safeguard of agency independence. In countries where the first approach is used, the law, to prevent levies from becoming burdensome establishes a cap of levies. At the same time, levies often are defined by reference to industry turnover, or some other indicators. The maximum of levies varies from 0.5 to 2.0% for different fields.

As to Georgia: the regulatory fee in telecommunication is established at the level of 2,5. And in the energy sector, approximately 1.5%. Besides, the regulated firms are obliged to pay a license fee which partially goes into the commission’s budget. At the beginning stage of reform consumers had paid additionally 0.2 Tetry for 1 kvh of consumption of electricity.

In this situation, I don’t think those newly established regulatory agencies, especially when the regulated companies fund them, could be really independent from the sector. What is very important, are the levies and regulatory fees in Georgia established not by the legislative bodies but the commissions? In addition, the best practices show that (besides the levies that are established each year to cover a budget) it is necessary that the budget of regulatory agencies needs to be approved by legislature, but not by the commission. Laws and practices also ignore this principle.

As to competition policy, it is stressed in my articles published during the 2000-2004:

- “The competition legislation of Georgia requires significant changes. According to analysts the competition law of Georgia needs to be strengthened to encompass all types of anti-competitive behavior. It also needs to reflect universal competition principles and rules included in the appropriate provisions of the EU Treaty and the UNCTAD’s set of multilaterally agreed equitable principles and rules for the control of restrictive business practice”. “Besides the enactment of a new laws and

appropriate amendments in corresponding laws, the Antimonopoly Service of Georgia needs to elaborate special guidelines for different aspects of enforcement".<sup>167</sup>

- "A common problem in Georgia, as well as in many countries, is that the relationship between the competition authority and sector specific regulators is often confused. It is clear that there are overlaps between industry specific regimes governing access to the networks, and economy wide rules governing the misuse of market power. The amendments made in the Laws 'On Consumers' Rights Protection' and 'On Monopolistic Activity and Competition' make it evident that the first generation of the industry regulatory reforms in Georgia resulted in the fragmentation of the competition and consumer policies. That is, sector-specific regulators are responsible for dealing with classical competition problems, under their own statutes rather than under competition law". For example, in 2000 the Law 'On Monopolistic Activity and Competition' (1996) (Article 5) was amended in the following manner: "The National Independent Regulatory Commission, as well as the Georgian Regulatory State Agency of Gas and Oil Recourses, are the only authorized bodies to provide the regulation and control within the framework of the competence determined in the appropriate law".<sup>168</sup>

- "It is necessary to have a clear interpretation of the functions, dividing exactly the competence and responsibilities of the State Antimonopoly Service of Georgia and Independent Industry Regulatory Commissions. It is also important to strengthen the status and institutional capacities, and to increase the effectiveness of the State Antimonopoly Service; to develop a clear, predictable and transparent process of competition law enforcement, so that investors can be confident that they will be protected from anti-competitive actions of incumbent enterprises, and for the public to be assured that monopoly behaviour will not be the outcome of the transition to the market economy".<sup>169</sup>

- "According to the World Bank-OECD model law on competition "enforcement agency should be independent from any government department and should receive its budget directly from the legislature (and report to the legislature). However, the fact that they are not dependent on government department for its finances does not necessarily mean that they are free from general influences".

What has happened recently is exactly the reverse.

In February, 2004, a new law: "Concerning the Structure, Proxy and Activity Rules of the Georgian Government" was adopted by the Parliament of Georgia. This law required restructuring of the state apparatus. Surprisingly the Ministry of Transport and some other government departments were merged with the Ministry of Economic Development. The same ministry also has the responsibility of privatization and economic reforms. It has proposed legal amendments to create one regulator for all regulated sectors. Further proposing that the existing regulatory regime will be liberalized/simplified to make it cost effective. In 2005, the law on Independent

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<sup>167</sup> Georgia, by Ketevan Lapachi, in "Competition Regimes in the World – A Civil Society Report, edited by Predeep Mehta, India, 2006, CUTS International – INSCOS, p.378

<sup>168</sup> "Competition Regimes in the World – A Civil Society Report, edited by Predeep Mehta, India, 2006, CUTS International – INSCOS, 379

<sup>169</sup> Georgia, by Ketevan Lapachi, in "Competition Regimes in the World – A Civil Society Report, edited by Predeep Mehta, India, 2006, CUTS International – INSCOS, p.378

Regulatory Bodies was amended to create one single regulatory body in the transport area, instead of four regulatory departments under the Ministry of Economic Development. The Ministry of Economic Development was made into a super ministry handling many portfolios. Changes were also made in the State Antimonopoly Service of Georgia. This involved two major changes. Firstly, the head of the authority was to be nominated by the Minister for Economic Development and to be appointed by the Prime Minister, whereas earlier it was a Presidential appointment. Secondly, the staff was whittled down, from 150 to 19. However the functions, powers and responsibilities were not changed.

Later, in June, 2005, a new competition law was adopted: “On Competition and Free Trading”. The old competition law “On Monopolistic Activity and Competition” (1996) was repealed. Not only that, but it was an absolute disaster. The SAGS (the State Antimonopoly Service of Georgia, that was responsible on the state control over the implementation of the Georgian Laws “On Monopolistic Activity and Competition”, “On Advertising” and “On Consumer’s Rights Protection) wound up being replaced by the Free Trade Agency under the Ministry of Economic Development, with a much reduced scope, only covering anticompetitive actions by the government. Provisions on anticompetitive practices by the business, abuse of dominance and combinations were removed. Further, the number of staff was reduced to just 12.<sup>170</sup>

The newly adopted competition law does not contain the principal provisions concerning anticompetitive agreements, abuse of dominant positions and concentrations. In the current phase of economic reforms, actually, Georgia has neither a competition law nor a competition authority.

It’s really very disappointing that neither in governmental circles nor in foreign donor organizations located in Tbilisi (if not take into account conclusion of GEPLAC, and –Taxis project, and one or two independent expert's negative comments that in fact had no result) at the stage of the legislative amendments there was not even a single opponent who would have criticized the above mentioned legal changes. This obviously says about shortage of professionally qualified lawyers and economists as well as a lack of state approaches in governmental circles of Georgia.

Taking into account all the above mentioned, the changes in competition law and policy, made since 2004 are obviously step back on the way of competition policy development and is not appropriate to the course of reforms recognized by the country, and its aspiration for getting in Euro Atlantic Structures. Today, Georgia does not have either "a legislative base or an appropriate institute to protect competition. In such kind of conditions, without improvement of competition policy there might be a serious risk for Georgian commodity markets to be developed with clannish principles and become as a field of anticompetitive activities for already established market powers (the signs of it are already visible). All this will reflect on the investment image of the country and the results of economic development too in the long-term perspective.

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<sup>170</sup> Georgia, by Ketevan Lapachi, in „Competition Regimes in the World – A Civil Society Report, edited by Predeep Mehta, India, 2006, CUTS International – INSCOS, p.378

## **Concluding Observations**

Taking into account all the above mentioned, it is clear that the industry regulatory system needs to be reformed, taking into consideration international experience, best practice and recommendations. Georgia needs to develop its institutional approaches which better exploit the complementary expertise and perspectives of utility regulators and competitive agency. Georgia needs to reform its industry regulatory system to ensure successful reforms that reflects all industry specific characteristics as well as national economic and regulatory environment

It is likely that the Georgian Government will attempt to implement major economic deregulation initiatives, aimed at narrowing the scope of regulation, broadening the role for private markets to allocate resources, and improving general efficiency and welfare of society, though the many conceptual issues are a subject of debates. Economic deregulation initiatives are a vital for improvement of the investment climate of Georgia. In this situation, it is necessary to establish a common understanding of important issues involved with: identifying priorities of reform, defining a key terms that are unavoidable in the regulatory debate; identifying some universal obstacles to the design of effective initiatives; noting important capacities and concepts that should guide legal changes and institutional design etc., It is not too early to begin a critical assessment of the performance of independent regulators to determine if improved design can avoid a future problems” and answer the questions: how effective is the existing regulatory model; what are the major political-economic factors which impede the implementation of competition and regulatory laws; agency independence can be understood; how to balance independence with accountability; how to ensure the proper boundaries between competition and Industry regulation; in which way regulatory institutions influence the governing environment, etc. Therefore it is needed:

- to provide complex analysis of the legal and institutional bases for public utilities regulation and competition, including the recent changes of competition law and concepts for future reforms of regulatory system elaborated by the government
- to explore the costs and benefits of regulatory activities;
- to highlight the potential gains from the future reforms of regulatory system;
- To make suggestions for improving competition and regulatory law in Georgia to make regulatory system effective.

Taking into account experiences of the OECD member countries, the future regulatory reforms must take more seriously the question of how can government design an independent regulator to minimize risks of rigidity, capture, and non accountability According to recommendations the future reforms should be based on some key principles:

- minimize the need of regulation by getting the industry structure right from the very beginning;
- thoroughly assess the design of the regulator in light of the evolution of the industry/sector/national economy;
- establish close working relations with the competition authorities to preserve consistency in the economy wide competition policy;

- get the framework conditions right. The regulator must work within the general framework of quality control for regulation that is established government-wide (these include public consultation, transparency, and regulatory impact analysis);
- establish clear appeal processes and judicial procedures, etc.

The competition legislation of Georgia requires significant changes by strengthening its provisions on all types of anticompetitive behavior. It also needs to reflect universal competition principles and rules included in the appropriate provisions of the EU Treaty and the UNCTAD's Set on Multilaterally Agreed Set of Equitable Principles and Rules for the control of restrictive business practices; the interaction between the competition and public utilities regulatory regimes should be defined clearly, there should be a single, economy-wide framework of sound competition policy principles that is applied equally everywhere; independent regulators should not be able to establish sector-specific competition and consumer policies.

In this condition, fulfillment of legislative amendments concerning reforms with batch principle and in strong coordination conditions is the most important question to avoid necessary discrepancy among different normative acts and unpredictable consequences.

The severest crisis of competition policy and non-effectiveness of the system of industry regulation puts in agenda the necessity of serious reforms of the system of economic regulation. This demands strong political will and a group of highly qualified reformers supervised directly by the President of Georgia. The group that will be able to make reformative decisions proved economically, in consideration of not short-term effects but long term economical interests.

I hope that the Government of Georgia will show its appropriate political will for serious regulatory reforms within the united institutional frames, otherwise the energy, time and expenditure spent on reforms will be aimless formality.

## Georgian Consumers' Evaluation of Products Sourced From Europe. Cases of Germany, Italy and Poland

Ali Riza APIL\*

**Abstract:** The European Union is one of the major trade partners of Georgia. According to 2005 data, the European Union consists of 20 percent of Georgian exports and 27 seven percent of imports. Germany was the largest EU exporter to Georgia with a 31 percent share in total imports from the EU. It is important to investigate the perception of the products of EU countries.

This research aims to determine Georgian consumers perception of products sourced from Germany as the biggest EU exporter to Georgia, Italy as the source of some well-known product classes, and Poland as a new member of EU. The study focuses on the evaluation of specific product attributes by Georgian consumers; and consumers' assessment of different product categories. Results based on the analysis of data relating to 313 responses indicate that most of products made in Germany perceived as high in quality. Italy was rated high in some major product classes like clothing and fashion products. Poland was not rated high for any product class but lower prices were appreciated by Georgian consumers. Research evaluations were discussed and some conclusions were drawn.

**Key words:** *Country of Origin, Made in Germany Made in Italy, Made in Poland, Consumer Behavior,*

**JEL Classification:** M 39 – Consumer Behavior

### Introduction

Dramatic increase in cross-border trade observed in the second half of the last century brought the necessity of new research avenues in the field of international marketing. One of the research streams is the "Country of Origin" (COO) studies on the perceptions and evaluations of consumers and of industrial products sourced both from developed and developing countries.

The recent transition from a centrally planned system toward a free market economy has been responsible for the creation of numerous, diversified, and unsatisfied needs of people living in the region (Quelch *et al.*, 1991). The consumers have the ability and intention to buy foreign products. This demand corresponded with the emergence of an important number of European and other foreign business ventures toward the region in order to capture first mover advantages and enjoy benefits of untapped markets. The past 15 years have witnessed the growth of foreign product existence in the Georgian market and their intensive advertising and promotional efforts. The regional consumers established impressions of foreign products originating in different countries they met and got.

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\* Department of Business Administration, International Black Sea University, D. Agmasheneblis Valley, 13 km. No.2 Tbilisi/ GEORGIA, Phone: +99577448217, Fax: +99532595006, alirizaapil@ibsu.edu.ge

Today, European Union (EU) is one of the major trade partners of Georgia. According to 2005 data, the European Union consist of 20 percent of Georgian export and 27 seven percent of imports. Germany was the largest EU exporter to Georgia with a 31 percent share in total imports from the EU in 2005. Italy exports to Georgia relatively less than Germany but it is an important player in Georgian market when we consider its dominance in some certain product categories. Poland, as a former Eastern block and a new EU country, had a closer relationships with Geogia. Although Poland is not a major trade partner for Georgia, Polish products are known better. These characteristics of the three countries draws attention of COO researchers to understand perception .

Researchers generally have a consensus on the consumers' evaluation of the products of different countries differently in terms of attitudes and purchase intentions (Han, 1989). Country of origin analysis focuses on buyer's opinions regarding the relative qualities of goods and services produced in various countries (Papadopoulos and Heslop, 1993). German Cars, Japanese electronics, and French wine are perceived and evaluated differently from, Italian cars, Taiwanese electronics, and Greek wine. In different countries, consumer may come up with different product country preferences. For example, while Cattin *et al.* (1982) stated that Americans prefer West German products over French goods, Baumgartner and Jolibert (1976) were reporting French consumers preferred French products over German ones. We can meet scores of examples of them in marketing literature (Al-Sulaiti and Baker, 1998; Bilkey and Nes, 1982; Kaynak and Cavusgil, 1983; Laroche et al. 2005; Peterson and Jolibert, 1995; Verlegh and Steenkamp, 1999).

### Georgian Market

Georgian imports increased from the level of USD 709.2 million in 2000 to 2490.9 million in 2005. Russia is the leading exporter to Georgia, and Turkey is the second, and among EU countries, Germany is the first. Table 1 and 2 indicates the import figures of Georgia.

**Table 1: Imports to Georgia (Million \$)**

	2000	2001	2002	2003	2004	2005
Total	709,2	752,0	793,8	1141,2	1847,7	2490,9
EU	188.3	240.8	232.2	431.1	617.5	671.3
Germany	55.4	76.1	59.8	82.7	151.1	206.7

*Source: State Department for Statistics of Georgia*

**Table 2: Imports of Georgia from major Trade Partners (Million \$, 2004, 2005)**

	Russia	Turkey	UK	Azerbaijan	Germany	Ukraine	Turkmenistan	USA	Armenia	Italy	Poland	Total	Foreign Trade, total
<b>2004</b>	257.8	202.7	171.4	157.8	151.1	142.8	32	110.9	25.6	61.8	8.4	1322	1847
<b>2005</b>	384.3	283.0	70.2	233.4	206.7	219.3	95.1	146.8	39.2	64.4	13.6	1756	2490

*Source: State Department for Statistics of Georgia*



Consumer behavior research has focused on consumers from more developed rather than from less developed countries, and former Eastern Block countries. Therefore the current study was designed to explore consumers' preference and purchase intentions for European products in Georgia, a transitional country which is reestablishing its domestic industry after the ruins of the former USSR.

### **The purpose research and research questions**

This research aims to determine Georgian consumers perception of products sourced from Germany as the biggest EU exporter to Georgia, Italy as the source of some well-known product classes, and Poland as a new member of EU. Specifically, the study undertaken focuses on the following research questions:

1. Do Georgian consumers perceive categories of products differently depending on country of origin? What is the Georgian consumer's assessment of different product categories, and how do these vary by each specific country?
2. How do the socio-demographic profile of the Georgian consumer differentiate the importance they place on COO information, and their perceptions of various countries products?

### **Literature review**

#### **Country-of-origin perceptions**

There is overwhelming support for the existence of COO effects on consumers' evaluations of products. Further, COO effects seem to carry over many product categories, although some studies have advanced the view of COO stereotyping for only specific types of products. Other studies have also shown that COO effects vary according to demographic variables, yet there is lack of consensus in that regard. Finally, products from developed countries seem to enjoy an advantage over their counterparts from developing countries.

#### **COO Perception across Product Class**

Along this line of reasoning, previous studies have suggested that the COO effect may vary with different products. Bilkey and Nes (1982) found that attitudes toward products from a particular country vary by product. Hence, electronic goods from Italy might be perceived poorly but Italian shoes would receive high marks from consumers. Kaynak and Cavusgil (1983) studied Canadian consumers and investigated whether COO perception biases existed across product classes such as electronics, food items, fashion merchandise and household goods. In addition to variation of quality perceptions across the countries studied, quality perceptions also tended to be product-specific. A country may rank high for one product class and low in another. For example, Japan was ranked very high in electronic items, but very low in food products. In a similar way, France was ranked high in fashion merchandise but low on all other product classes. Johansson and Papadopoulos, (1993) found that in some cases country image is confined to a type of product within a product category; at times it relates to a whole product category, or to multiple product categories. Thus, for example, England has a strong country image in the USA for luxury cars, due to Rolls Royce and Bentley(Lampert and Jaffe, 1998). Similarly, electronic goods from Italy might be perceived poorly but Italian shoes would receive high marks from consumers.

Schweiger *et al.*, (1995), researched "made in Europe" label and compared consumers' perceptions of the quality of various products within this label to the quality of goods "made in the USA" and "made in Japan". Results indicated that European products labeled "Made in Europe" were perceived to be of lower quality than Made in Japan and Made in US.

Georgian consumers are expected to perceive the products from various European countries different in quality. For example, while they see Germany a source for high quality technology products, they prefer French and Italian clothing and fashion products.

### **Product Culture and Culturally Similar Countries**

Evidence also suggests that the image of a country can be perceived differently by consumers in different countries. Cattin *et al.* (1982) reported that Americans perceived German, and Japanese-labeled products more favorably than the French. According to some authors, such differences may be attributable to the particular economic environment found in each country, the sample characteristics and the intensity of multinational marketing activity undertaken by the companies from the exporting countries (Lin and Sternquist, 1994). Stronger COO effects may exist for products from a country with dissimilar belief system and socio-cultural climate than for products from a similar country (Zang, 1996) Georgian consumers appreciate German product culture. Germany has been known as a country for high quality products all the way through the technological development of Western Europe. Recent historical relations with Poland as a post Eastern Block country gave a better knowledge and appreciation of Polish products.

Still, mostly having an originally western adapted materials culture, western products usually are welcomed in Georgia. The food consumption patterns are similar to that of the west with slight differences in the Georgian kitchen and food preferences.

### **Demographic differences and COO**

Apart from differences due to the origin of the respondents, it has also been observed that other consumer demographics may influence the exact nature of COO effects. For example, older consumers and females were found to provide higher ratings for foreign products (Schooler, 1971; Johansson *et al.*, 1985). Moreover, respondents with college education rated foreign products more positively than less educated respondents (Anderson and Cunningham, 1972; Dornoff *et al.*, 1974; Wang, 1978, Schaefer, 1997). Nonetheless, as Heslop and Papadopoulos (1993) point out, there is still a lack of consistent findings regarding consumer demographic variables.

### **Research methodology**

The study was conducted among 313 consumers, from Tbilisi, Batumi, and a few in Kutaisi and Rustavi in May and June of 2005. Respondents were selected through convenience sampling. 665 questionnaires were distributed and 313 of them returned with a response rate of 40 percent. Students from several universities (IBSU, Marketing Department of TSU and ESM, CSB, Faculty of Economics and Business of

BSU) took part in the survey and getting the questionnaires filled. Eligible respondents were individuals aged 17 and above.

Perceptions of products sourced from three selected European countries was only one part of a larger survey which originally was designed to assess the country of origin perceptions of Georgian consumers. Data were collected by means of self-administered questionnaires. The questionnaire was first developed in English and then translated into Georgian by a group of university students who have proficiency in both languages. Then, a business professor and a Georgian language professor who are also fluent in English checked the Georgian translation. Finally, Georgian translations of the questionnaire were retranslated back to English by another group of students in order to ascertain that it was conveying the exact meaning as originally designed. The questionnaire explored the the perception of products sourced from three selected European countries and the demographic profile of the consumer in terms of gender, age, and income. To evaluate the data Microsoft Excel, SPSS software were used.

The questionnaire sought the respondents' evaluation on the quality of products made in specific countries. Based on the experiences and the findings of the survey the researcher conducted among 79 consumers from Tbilisi in 2004, ten products available in Georgian Market were identified as relevant for the study. These were cars, home appliances, electronics, clothing, automobiles, fashion products, alcoholic drinks, medical products, cheese, shoes, and home repair products. The nine countries selected were: China, Georgia, Germany, Italy, Japan, Poland, Russia, Turkey, and USA, because they are expected to be significant sources of imports of such products to Georgia. A five-point Likert scale was used to gauge respondents' perceptions of the quality of each product from respective countries (5 = high quality; 1 = low quality).

### **Evaluations and Findings**

The country of origin analysis focuses on buyer's opinions regarding the relative qualities of goods and services produced in various countries (Papadopoulos and Heslop, 1993). In this study, we researched how consumers perceive products sourced from different countries. Ten product categories from nine different countries were studied. The mean rating and standard deviations of products are depicted on a table and graph. A series of Duncan test were to determine the rank orders of countries in different product categories. The reliability was tested with Cronbach's alpha and effect size was tested with a multivariate test. The impact of demographics and consumer ethnocentrism was tested with Mann Whitney tests.

Table 3 shows the mean scores of the respondents' perception of quality for each of the products from the eight countries of supply, as well as the home country of Georgia. The rating scale used was from 1 = "low quality" to 5 = "high quality". First, a mean rating for Georgian consumers' perception and evaluation for each country on each product class, as well as products in general, was calculated for each country on each product class (home appliances, electronics, clothing, fashion merchandise, automobiles, medical products, alcoholic drinks, home repair products, shoes and cheese). Only those source countries were selected from which Georgia received most of the product class needs. The countries were ranked for each product class by using their average ratings for each product class (See Table 3). Respondents were asked to vote for the indicated products of the countries which they know about. So each respondent did not give a rating for all product class of the indicated countries. Row

“N” indicates number of the votes for each product class of the given country. Standard deviations (SD) were calculated for each product classes of the given countries to indicate the dispersion around the mean (See Table 3). Product quality assessments of Georgian consumers for the selected countries are visualized via graphs.

In the overall ranking, based on the calculated average of the perception scores by country, Germany was perceived as the country that produces high quality products, while the USA was placed second, closely followed by Japan and Italy ( See table 3). It must be noted that the differences of total country of origin mean scores of the USA, Japan and Italy are not significant.

Further, *post hoc* comparisons using the Duncan test showed that in all product categories, German goods maintain a significantly better image than their counterparts produced in the other countries. Georgian consumers, in every product class as well as for products in general, view products from Germany favorably (See Table 4). German home appliances, automobiles, medical products and home repair products were rated highest and electronics, clothing, alcoholic drinks and shoes were rated as second. German fashion products and cheese were rated in the third place.

Italy in three product categories (clothing, fashion products and shoes) ranked the highest, and in two product class (alcoholic drinks, cheese and home repair products) ranked second. Italian home appliances and automobiles were rated in the third place and electronics and medical products were rated as in the fourth place, with Russian ones. Poland ranked in third place in only two product categories, clothing and shoes. Polish medical products and home appliances were rated in fifth place.

**Table 3 Consumers' quality perceptions of various countries of product supplies**

Countries	Products	Home appliances	Electronics	Clothing	Autos	Fashion Products	Alcoholic drinks	Medical Products	Cheese	Shoes	Home repairment products	Country
												Of Origin
												Average
CHN	Mean*	2.455	2.905	2.536	*	2.397	*	3.15	*	2.199	2.58	2.603
	N	176	189	196		126		107		141	107	
	SD	1.25	1.293	1.165		1.059		1.386		1.11	1.18	
ITL	Mean*	3.62	3.417	4.629	4.016	4.688	3.949	3.738	4.06	4.851	4.3	4.127
	N	184	151	275	193	253	157	103	151	281	169	
	SD	0.979	0.975	0.72	0.921	0.625	0.959	0.907	1.066	0.47	0.89	
USA	Mean*	3.994	4.031	4.221	4.349	4.422	3.757	4.295	*	4.09	4.18	4.149
	N	165	191	217	238	211	136	176		155	130	
	SD	0.914	0.9	0.768	0.763	0.741	1.058	0.871		1.015	0.95	
GEO	Mean*	1.705	1.752	2.396	*	2.507	4.472	2.891	4.618	2.667	2.5	2.834
	N	146	117	182		136	265	147	267	168	118	
	SD	0.97	0.937	1.018		1.135	0.921	1.171	0.733	1.065	1.14	
POL	Mean*	2.578	*	3.15	*	2.871	*	3.223	*	3.243	*	3.013
	N	109		140		116		121		111		
	SD	1.074		0.889		0.965		1.221		1.02		
TUR	Mean*	2.737	2.657	2.883	*	2.759	*	2.433	*	2.545	3.23	2.75
	N	224	181	223		166		104		167	209	
	SD	1.049	1.024	1.072		1.068		1.012		1.134	1.16	
GER	Mean*	4.559	4.442	4.177	4.83	4.19	3.933	4.629	3.669	4.245	4.6	4.327
	N	281	260	226	289	200	163	232	121	196	221	
	SD	0.685	0.709	0.83	0.444	0.746	0.904	0.665	1.172	0.759	0.7	
RUS	Mean*	3.426	3.378	3.214	3.167	3.248	3.798	3.887	3.244	3.305	3.75	3.442
	N	216	188	182	203	157	203	203	123	141	195	
	SD	0.947	1.024	1.021	1.03	0.952	1.059	0.961	1.176	0.985	0.94	
JAP	Mean*	4.725	4.851	3.273	4.484	3.545	*	4.047	*	*	3.99	4.131
	N	255	281	110	252	121		106			105	
	SD	0.66	0.492	1.1	0.806	1.176		1.008			1.06	

Notes: \* Less than 100 frequency of votes for the products are not included in the calculation. These products are generally are rarely exist or never existed in Georgian market.

\* Mean values are obtained on a scale of 1-5 where 1 = low quality;2= somewhat low quality; 3= neither low nor high quality; 4=somewhat high quality;5= high quality

CHN: China, ITL: Italy, USA: United States of America, GEO: Georgia, POL: Poland, TUR: Turkey, GER: Germany, RUS: Russia, JAP: Japan

**Table 4** Summary of Duncan Tests for Ranking Comparisons

Products	Rank Orders <sup>a</sup>						
	1	2	3	4	5	6	7
Home appliances	GER 4.56 JP 4.73	USA 4.00	IT 3.62	RU 3.43	PO 2.58 TR 2.74	CH 2.45 GEO 2.58	GEO 1.73
Electronics	JP 4.85	GER 4.44	USA 4.04	RU 3.38 IT 3.42	CH 2.90	TR 2.66	GEO 1.79
Clothing	IT 4.63	GER 4.18 USA 4.22	PO 3.15 RU 3.21 JP 3.27	TR 2.88	GEO 2.44 CH 2.54		
Automobiles	GER 4.83	USA 4.36 JP 4.48	IT 4.02	RU 3.17			
Fashion Products	IT 4.69	USA 4.43	GER 4.19	JP 3.55	RU 3.25	TR 2.76 PO 2.87	CH 2.40 GEO 2.53
Alcoholic Drinks	GEO 4.46	USA 3.77 RU 3.80 GER 3.93 IT 3.95					
Medical Products	GER 4.63	USA 4.29	RU 3.89 JP 4.05	IT 3.74 RU 3.89	CH 3.15 PO 3.22	GEO 2.91	TR 2.43
Cheese	GEO 4.62	IT 4.06	GER 3.67	RU 3.24			
Shoes	IT 4.85	USA 4.08 GER 4.24	PO 3.24 RU 3.30	TR 2.54 GEO 2.69	CH 2.20		
Home Repairment Products	GER 4.60	USA 4.19 IT 4.30	JP 3.99 USA 4.19	RU 3.75	TR 3.23		GEO 2.53 CH 2.58

**Notes: a** Means for groups in homogeneous subsets are displayed. Subset for alpha = .05

**b** Less than 100 frequency of votes for the products are not displayed.

**c** When the mean values are not statistically significant, then the same rank assigned to both means.

**d** CH: China, IT: Italy, USA: United States of America, GEO: Georgia, PO: Poland, TR: Turkey, GER: Germany, RU: Russia, JP: Japan

Georgian consumers view home appliances, electronic products and automobiles from Japan, Germany and the USA most favorably. Italy and Russia are considered as secondary sources for these product classes. Clothing, fashion products and shoes from Italy, USA, and Germany are perceived to be higher quality. Home repairment products sourced from Germany and Italy are rated higher in quality.

**Table 5a Paired T Tests Country Comparisons of Product Perception**

	Home appliances	Clothing	Fashion Products	Medical Products	Shoes
<b>Italy</b>	3.67	4.55	4.75	3.81	4.82
<b>Poland</b>	2.61	3.15	2.86	2.97	3.23
T value	9.908	13.910	18.355	5.525	14.263
Sign.	0.000	0.000	0.000	0.000	0.000
<b>Poland</b>	2.63	3.15	2.82	3.13	3.16
<b>Germany</b>	4.49	4.16	4.19	4.63	4.23
T value	-15.097	-10.538	-14.065	-11.406	-9.334
Sign.	0.000	0.000	0.000	0.000	0.000
<b>China</b>	2.49	2.50	2.38	3.03	2.18
<b>Italy</b>	3.50	4.59	4.63	3.70	4.82
T value	-7.272	-20.717	-18.485	-3.947	23.327
Significance	0.000	0.000	0.000	0.000	0.000
<b>China</b>	2.44	2.42	2.42	3.13	2.13
<b>Germany</b>	4.50	4.19	4.23	4.53	4.24
T value	-18.256	-17.359	-15.470	-8.882	19.163
Sign.	0.000	0.000	0.000	0.000	0.000
<b>China</b>	2.43	2.38	2.30	2.97	2.15
<b>Poland</b>	2.59	3.17	2.81	3.11	3.20
T value	-0.924	-7.839	-3.872	-0.735	-7.229
Sign.	0.358	0.000	0.000	0.465	0.000
<b>Italy</b>	3.61	4.53	4.72	3.76	4.82
<b>Russia</b>	3.41	3.23	3.24	3.79	3.30
T value	1.827	12.576	16.751	-0.253	15.022
Sign.	0.070	0.000	0.000	0.801	0.000
<b>Poland</b>	2.60	3.19	2.84	3.15	3.20
<b>Russia</b>	3.46	3.29	3.19	3.83	3.25
T value	-5.839	-0.821	-3.012	-4.523	-0.383
Sign.	0.000	0.413	0.003	0.000	0.703

**Table 5b** Paired T Tests Country Comparisons of Product Perception

	Home appliances	Clothing	Electronics	Automobiles	Home repairment products
<b>Italy</b>	3.60	4.61	3.41	4.03	4.27
<b>Germany</b>	4.55	4.16	4.50	4.84	4.59
T value	-11.346	5.954	-12.297	-10.904	-3.680
Sign.	0.000	0.000	0.000	0.000	0.000
<b>Italy</b>	3.61	4.53	3.44	4.03	4.29
<b>Russia</b>	3.41	3.23	3.31	3.21	3.80
T value	1.827	12.576	0.962	7.480	4.818
Sign.	0.070	0.000	0.338	0.000	0.000
<b>Italy</b>	3.51	4.56	3.42	4.01	4.18
<b>Japan</b>	4.69	3.27	4.83	4.45	3.93
T value	-12.415	8.903	-15.787	-4.947	1.695
Sign.	0.000	0.000	0.000	0.000	0.094
<b>Germany</b>	4.53	4.21	4.45	4.83	4.43
<b>Japan</b>	4.72	3.25	4.85	4.49	3.93
T value	-3.4	8.49	-7.9	6.27	4.077
Sign.	0.001	0.000	0.000	0.000	0.000

The study suggests, in general, that products from developed countries like Germany, and Italy are perceived to be of high quality. On the other hand, products from developing countries like Poland and China, were perceived to be of low quality. Paired Samples T Tests were run in order to compare the consumers' perceptions of developed and developing countries (See Table 5a). For comparisons, five product classes ( Home appliances, clothing, fashion products, medical products, and shoes) were found ideal to represent the perception differences toward products sourced from selected countries. All comparisons produced significantly differentiated results indicating that Georgian consumers perceive products from developed countries higher in quality. These results underscore the findings from past research (Bilkey and Nes, 1982) that there is a positive relationship between product evaluation and degree of economic development of the sourcing country.

When we look at paired comparison results, Italian products manage a significant higher quality rating over Polish ones, being most significant on fashion products. German products were perceived as higher in quality than Polish products, most significantly on home appliances. German, Italian and Polish products rated higher in quality than Chinese products. It is most significant on shoes. Italian products achieved a higher quality rating over Russian products, except on medical products. Products from Poland rated lower than Russian products, most significantly on home appliances.



For paired comparisons, five product classes ( Home appliances, clothing, electronics, automobiles, and home repair products) were found ideal to represent the perceptual differences towards products sourced from developed countries. German products achieved a higher quality score over Italian ones except on clothing. Italian products were perceived as higher in quality than Russian products, most significantly on clothing. Although home appliances, electronics, and automobiles from Italy got a lower rating than Japanese ones, clothing and home repair products got higher ratings. German clothing, automobiles and home repair products got higher ratings than Japanese ones, but home appliances got a relatively lower ratings than Japanese.

**Reliability Analysis**

Cronbach's coefficient alpha was used in this study to assess the reliability of the measures. Nunnally (1976) suggests a reliability coefficient of 0.60 or larger as a basis for acceptance of the measure. A Cronbach alpha coefficient of 1 would indicate perfect uni-dimensionality within a scale. When Cronbach alpha was computed for all the ten items of the scale for nine countries this was found to be 0.926. This indicated the possibility that the entire scale was uni-dimensional. A Cronbach alpha coefficient of 0.926 can be considered a reasonably high reliability coefficient. Based on this, it can be concluded that all 10 product classes of selected countries used are measuring the attitudes of Georgian consumers toward products of these countries.

Consumers quality ratings of products sourced from Poland exhibited the highest reliability (0.906). Even though consumers quality ratings for products sourced from Japan exhibited the lowest reliability (0.639), it is over the limit suggested by Nunnally (1976) for the acceptance of measure.

The MANOVA results confirmed significant differences in ratings on the ten product types across the nine countries of origin ( See Table 5).

**Table 5** Multivariate Tests for Consumers' quality perceptions of various countries of product supplies.

<b>Effect</b>	<b>Value</b>	<b>Significance</b>	<b>Partial Eta Squared</b>
Pillai's Trace	1.778	.000	.222
Wilks' Lambda	.072	.000	.281
Hotelling's Trace	4.497	.000	.360
Roy's Largest Root	2.814	.000	.738

**Demographic differences .**

Consumer demographics may influence the nature of COO effects. In different consumer demographic segments; different variations of COO effects may be observed. To test if gender, marital status, age, education and income level play a discriminating role in the evaluations of the country of origin of products, Wilcoxon - Mann Whitney-tests were performed. Respondents were separated according to their age groups. The first classification of two age groups was younger than 35 and older than 35. Then, the younger group was divided into two parts as: younger than 24 and 24 and above up to 35. Another interesting issue is whether there is a difference between more educated consumers and those with less education regarding the country-of-origin effect. To test

this, the education category was recorded into two separate categories - the first category includes those respondents with high school education, while the second category includes those with higher education, i.e. university and above.

Table 6 summarizes the results regarding the impact of gender, income, education, and marital status.

**Gender**

40 percent of the respondents (122) were male and 60 percent of the respondents (182) were female. While male respondents rated significantly higher German automobiles, female respondents rated Italian cheese, shoes, and home repairment products, Polish clothing and shoes.

**Table 6a** Mann-Whitney Test between Sociodemographic Variables and COO Effect.

	Home appliances	Electronics	Clothing	Automobiles	Fashion Products	Alcoholic drinks	Medical Products	Cheese	Shoes	Home repairment products
<b>Gender</b>										
Italy								F*	F**	F**
Poland			F***						F**	
Germany				M**						
<b>Education</b>										
Italy						U**				
Poland			S*							
Germany										
<b>Income (I/IV)</b>										
Italy				L***						
Poland										
Germany	L***									
<b>Marital Status</b>										
Italy	R***		B**							R**
Poland	R**		R**		R***			R*		
Germany										

\*, \*\*, \*\*\* shows statistical significance at 0.10, 0.05, and 0.01 respectively.

**Education**

Education produced a relatively less significant main effect in comparison to other factors. The respondents with high school education rated Polish clothing significantly higher. Respondents with higher education rated significantly higher only Italian alcoholic drinks. Education did not exhibit any significant differentiating main effect on home appliances, automobiles, fashion products, and cheese or any product from Germany.

## Income

Respondents were split into four groups based on their self-reported annual personal income level. Income produced a significant differentiating effect for home appliances from Germany, automobiles from Italy. Low income respondents rated German home appliances, Italian automobiles.

## Marital Status

Marital status produced a significant main effect on quality perceptions of nine of ten product classes of all the countries except Germany. While unmarried respondents rated Italian clothing significantly higher, married respondents rated Italian, and Polish home appliances, Italian home repairment products, Polish clothing, fashion products, and Polish shoes significantly higher.

**Table 6b** Mann-Whitney Test between Sociodemographic Variables and Country of Origin Effect.

	Home appliances	Electronics	Clothing	Automobiles	Fashion Products	Alcoholic drinks	Medical Products	Cheese	Shoes	Home repairment products
<b>Age(&lt;35/&gt;35)<sup>a</sup></b>										
Italy	O***	O**								O*
Poland	O***	O*	O***		O***				O*(**)	O*(**)
Germany								O*(**)		
<b>Consumer Ethnocentrism<sup>b</sup></b>										
Italy	N*(**)		N**					N*	N*(**)	N(*)
Poland	N*		N(*)							N**
Germany					N*		N*(**)			

<sup>a</sup> Stars in the brackets show differences between the age groups lower than 24 and higher than 35 when they are more significant than the age groups lower than 35 and higher than 35.

<sup>b</sup> Stars in the brackets show differences between the lowest ethnocentric quartile and the highest ethnocentric quartile when they are more significant than ethnocentric and non-ethnocentric halves.

\*, \*\*, \*\*\* shows statistical significance at 0.10, 0.05, and 0.01 respectively.

## Age

Age produced a significant main effect for all the countries on quality perceptions of at least one product class, except alcoholic drinks. Older respondents rated home appliances, electronics, and home repairment products from Italy, all products of Poland, shoes from Germany significantly higher.

## Consumer Ethnocentrism

Shimp and Sharma's (1987) CETSCALE was used to determine the ethnocentrism level of consumers. Non-ethnocentric respondents rated Italian home appliances, clothing, cheese, shoes, and home repairment products, Polish home

appliances, clothing, and home appliances, and German fashion and medical products significantly higher.

Of the different demographic variables, age, marital status, and level of ethnocentrism appear to be particularly significant causes of variance in attitudes toward specific countries of origin, while gender, education, and income levels have only occasional and marginal significance.

### **Discussion and conclusions**

During the last four decades, accumulated research has found that consumers display a preference for products made in some countries more than others. We can meet scores of examples of them in marketing literature (Al-Sulaiti and Baker, 1998; Bilkey and Nes, 1982; Kaynak and Cavusgil, 1983; Laroche et al. 2005; Peterson and Jolibert, 1995; Verlegh and Steenkamp, 1999). In Georgia, consumers perceive the quality of products to be significantly different based on country of origin. In our research, total evaluation of German products were appreciated as superior than to those of other major advanced countries. The present research proves that COO effect exists, and influences the product preferences of consumers. Georgian consumers perceive products from developed countries as higher quality than products from developing countries. Products from developed countries like Germany, and Italy are perceived to be of high quality. On the other hand, products from developing countries like Poland and China were perceived to be of low quality. This underscores the findings from past research (Bilkey and Nes, 1982; Ettenson, 1993; Okechuku and Onyemah, 1999; Zain and Yasin, 1997) that there is a positive relationship between product evaluation and degree of economic development of the sourcing country.

In the present research we observed that country ratings varied according to product class. For example, while Italy rated for home appliances and automobiles in the third order, for clothing and fashion products it was rated as the first. The results of the present research are consistent with the research findings mentioned above. This results support the findings of Bilkey and Nes (1982) and Kaynak and Cavusgil (1983). The results confirm the past research indicating the differentiating effect of demographic variables on COO perceptions (Schooler, 1971; Johansson *et al.*, 1985; Anderson and Cunningham, 1972; Dornoff *et al.*, 1974; Wang, 1978; Schaefer, 1997; Leonidou et al, 1999). Nonetheless, as Heslop and Papadopoulos (1993) point out, there is still a lack of consistent findings regarding consumer demographic variables.

This results confirm that European countries are perceived as having different levels of product quality. Products from new member developing countries like Poland are regarded as a low quality source of products. Products from Germany and Italy are regarded as being high quality. Product class awareness exists toward specific country products. Although general country perception of specific country products are an important determinant in decision making, product class perceptions are the main determinant of shopping decisions.

Georgian importers and European exporters should consider the "Made in" strength of each product for competitive advantage and build up their product assortments accordingly. For promotion, exporters to Georgia and resellers in Georgia may emphasize the country of origin of the products which have relatively strong product country image. Relatively weaker products from Italy and Germany may be supported by using General country image. Made in Europe concept may help to increase the appreciation of Products from Poland.

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# **The Role of Georgian Railway for European Integration of Georgia**

**Giorgi BAGATURIA\*, Teimuraz GORSHKOV\***

**Abstract:** Lately the world political and economic panorama has changed sharply. Georgia became a member of the European Council, and has entered in WTO. The direction of ways to integration in the European Union has been taken. One of the most important results of the change is the huge project of the European Union "The New Silk Route, TRACECA". TRACECA has a very important political and economic function. It has cleared the way for Georgia to European integration.

One of the main roles of TRACECA functioning belongs to Georgian Railway. Long-distance trains connect Asia with Europe via Transport Corridor Europe - Caucasus - Asia. Georgia returns to its global historical role; it becomes a connecting crossroads of the West with the East. For the nearest future the connection between Georgia and Europe via Turkey by the new railway route Kars (Turkey) – Akhalkalaki (Georgia) will become important. The integration of Georgia into European transport infrastructure and policy will continue successfully. This article introduced the main aspects of TRACECA, Georgian Railway and Kars–Akhalkalaki route and their economic role for European integration of Georgia.

## **Introduction**

The political and economic maps of Europe and Asia have changed sharply in recent years. Georgia is now a member of the European Council and World Trade Organization as the first step in becoming an EU member state. One of the most important results of the changes in Central Europe of significant importance to Georgia is the huge EU project - Transport Corridor Europe-Caucasus-Asia (TRACECA), which connects Central Asia with Europe by a continuous unbroken railway. The project will put Georgia and the Caucasus at the political and economic crossroads between East and West, and the northern and southern countries of Eurasia.

Georgia has returned to its global historical role; it has become a connecting crossroads of the West with the East, and, in nearest future, the North with the South, which is one of the important contributing factor on the Georgian way to European integration

## **Outline of Traceca and Georgian Railway**

At present, most trade between Europe and the Far East uses the maritime route through the Suez Canal into the Indian Ocean and then through the Malacca Strait. Land routes to Pakistan, India, Thailand, Cambodia, and Viet Nam are obstructed by natural barriers like the Himalayan and Tien-Shan mountains, so most international trade with these countries is by sea as well, although Pakistan and India have extensive railway networks. Almost all freight in Afghanistan is carried by trucks because there is little functioning railway due to the unstable political situation, but there are rail links with railways in Pakistan, Iran, Turkmenistan, and Uzbekistan. Iran is connected to Europe

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\* Prof. Dr., Georgian Technical University

\* Assoc. Prof. Dr., Georgian Technical University and "Georgian Railway" Ltd

via ports on the Persian Gulf and by rail via Azerbaijan, Russia, Ukraine, and Belarus. There is also a rail connection via Turkey, but the two water barriers at the Bosphorus and lake van can only be passed by ferry. Most rail freight to the east travels via Poland, Belarus, and then through Russia from Moscow on the Trans-Siberian Railroad.

Maritime transport between Europe and Asia offers a great many advantages over present land routes, including:

- Less risk of loss or damage to cargo
- Fewer Customs procedures and lower handling fees
- Regular and reliable shipping schedules

However, maritime transport is dependant on weather conditions and some 230 vessels and 1000 crew are lost each year. The greatest losses (46 %) are for general cargoes.

The most economical speed for large container vessels is about 16 knots or 30 km/h (720 km/day). This would seem a disadvantage compared to an average speed of 37 km/h for some freight trains on some potential TRACECA sections, but the average speed of freight trains on long sections is just 12 km/h. Even on good freight lines in Western Europe, the average speed is only 14 km/h. To improve the competitive ability of rail, one aim of TRACECA is to rehabilitate existing track infrastructure to achieve average speeds of 30 km/h over long distances for loaded wagons, and 90 km/h for empty wagons. One reason why average speed drops so low is the long waiting times at the many Customs posts and border crossings in the region. If the political will existed, this could be solved easily by adopting simplified procedures. A more difficult problem to solve is the change of gauge between some countries such as Ukraine and Russia, Kazakhstan and China, Azerbaijan and Iran. TRACECA hopes to overcome this by promoting new technologies and the free gauge system developed in Japan.

If these problems can be overcome, rail could be a more economic and faster means of international freight transport than sea, and a more ecologically friendly means of carrying domestic freight than trucks.

When TRACECA is completed, a continuous railway line will follow part of the ancient Silk Road from the Chinese port of Lianyungang on the Yellow Sea to the Georgian ports of Poti and Batumi on the Black Sea and then on into western Europe. Some years later "a transport delta" will be created on the Georgian coast of the Black Sea with ferry connections to new ports at Supsa, Kulevi, Anaklia, Ochamchira, and Sukhumi, linking the countries of CIS into a truly trans-Eurasian transport infrastructure.

One of the main roles of TRACECA functioning belongs to Georgian Railway. For the nearest future the connection between Georgia and Europe via Turkey by the new railway route Kars – Akhalkalaki will develop. The integration of Georgia into European transport infrastructure and policy will continue successfully. Table 1 shows increasing quantity of cargo transported by Georgian Railway from Asia to Europe and vice versa, which makes tangible ground for European integration.

In addition, TRACECA has offered the opportunity to construct oil pipelines Baku-Supsa, Baku-Tbilisi-Ceyhan and gas pipeline – another strong factor for political and economic stabilization of Georgia that is essential for European integration. Actually, the ancient Silk Road has been restored.



## **Restoration of Silk Road**

The South Caucasus was part of an ancient trade route as early as 2000 B.C. During the Greek Empire around 750 B.C., Kolkheti on the Black Sea was a trading center on a route starting in India and running across the Caspian Sea, along the River Kura, through the Surami Pass and along the River Rioni to Phasis (Poti) on the Black Sea and then via the Bosphorus to the Mediterranean countries. Some time around 200 B.C., trade caravans carrying silks and other precious commodities started making their way from Xi'an in China through the countries of central Asia to the Black Sea following a route that was to become known as the Silk Road. In fact, the Silk Road did not follow a single route but split into northerly and southerly paths at Dunhuang in the Vigur Autonomous Region. The north route crossed Lake Lop Nur, Kashgar, Khorasm, the South Caucasus and then through Iberia (Georgia) to Byzantium and Rome. Control of the valuable trade was the cause of many wars between Rome and Byzantium with regional countries like Parthia and Persia. The route was even considered a state secret in Parthia. Later, the route came under the successive control of Arabs and Mongols in the eighth to tenth centuries.

In addition to trade, the road promoted cultural and other exchanges between East and West. Discoveries like glass, and religions like Buddhism, Islam, Judaism and Christianity, were spread throughout the region. Ancient Greek books tell us that over 70 languages could be heard spoken in Dioscuria. The Road also carried the armies and ambassadors of Rome and other empires. Chinese manuscripts telling about arrival of Roman ambassadors from Emperor Marcus Aurelius in 166 A.D.

The Southern Caucasus, and especially the Darialpass, had great strategic importance in controlling north-south movements and the passage to India. However, the discovery of a quicker and safer route to the Spice Islands and Asia around the Cape of Good Hope in the late fifteenth century by European explorers soon led to a decline of the importance of the Silk Road in east-west trade.

The restoration of the Silk Road was started at 1990 at the Vladivostok International Conference. This idea of creating an open political and economic zone between the countries of Eurasia found widespread acclaim in all countries of central Asia, the EU, and Turkey and was enthusiastically supported by Azerbaijan. It was given concrete form by the creation of the TRACECA project, which is backed by some of the world's most influential countries and international and regional organizations. But the project is not just to establish an unbroken trade route between China and Amsterdam; it is also seen as a part of a future world strategic, economic, and cultural plan.

### **Main Goals of Traceca**

In May 1993, a conference marking the start of the TRACECA project was held in Brussels between the EU member states, the central Asian states of Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan, Kyrgyzstan, and the Southern Caucasus states of Georgia, Azerbaijan, and Armenia. As the first step, the conference proposed creating an unbroken rail corridor from western Europe to China via the Black Sea, South Caucasus, Caspian Sea, and Central Asia, to be financed as a global EU strategy with four goals:

- Strengthening the political and economic sovereignty of CIS countries in the TRACECA region to enable their effective participation in the world economy.
- Supporting regional cooperation between TRACECA countries.
- Promoting regional investment by international and private financial resources.
- Linking the Eurasian transport corridor with European and world transport systems.

In particular, TRACECA declared its intent to create new transport demand that will generate new profit centers for all interested countries. The first investors to join the project were the European Bank for Reconstruction and Development, and the World Bank, The Islam Development Bank, and the Asian Development Bank.

In addition, various other supporting measures have been adopted by other nations. The US Congress approved the Silk Road Strategy Act in July 1999 with the aim of ensuring the strength, independence, economic viability and political sovereignty of the Caspian Sea and South Caucasus by developing an open market economy, protecting human rights, assisting regional economic integration, and solving regional conflicts. The Act facilitates US investment in TRACECA countries for development of infrastructure, border controls, etc.

The Japanese government has developed a special program for reviving the silk Road trade route. In April 1999, Georgian and Japanese governments issued a joint statement expressing the intent of the Japans government to intensify diplomatic effort with states along the Silk Road. The Statement also implied promotion of political dialogue and intensified cultural contacts and economic cooperation. The Japanese Minister of Foreign Affairs called restoration of the Silk Road a heartfelt desire on the Japanese side. The success of the various TRACECA projects also depends heavily on the transport policy of the organization of Railways Cooperation (ORC), which includes Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Poland, Romania, Uzbekistan, Ukraine, Bulgaria, Tajikistan, and Turkmenistan. The purpose of ORC's transport policy is the definition of the route, research on conformity of basic track parameters to international standards, definition of problems of development and functioning, development of measures to increase competitiveness of railway transport, attraction of new demand, etc.

An agreement on regulation of transit traffic signed by Georgia, Azerbaijan, Turkmenistan and Uzbekistan in 1996 and joined later by Ukraine, Romania, Bulgaria, Armenia, Kyrgyzstan and Tajikistan, goes a long way towards coordinating railway business activities. It was the first example of legislative changes towards promoting the project. This was followed in September 1997 when the Georgia Parliament accepted the decision on supporting conformity with EU legislation. As a result, all relevant Georgian laws and acts passed since 1 September 1998 are in compliance with EU standards. It is no exaggeration to say that the president of Georgia, Michael Saakashvili, pays great attention to the TRACECA projects, including development of Georgian Railway.

## **Other Results**

Another aim of the TRACECA project is to assist the development of the Interstate Oil and Gas Transport to Europe (INOGATE) program. INOGATE will rehabilitate oil and gas pipelines in central Asia, the Caucasus, Ukraine, Belarus, and Moldova to carry oil and gas from the Caspian Sea region to Central and Eastern Europe.

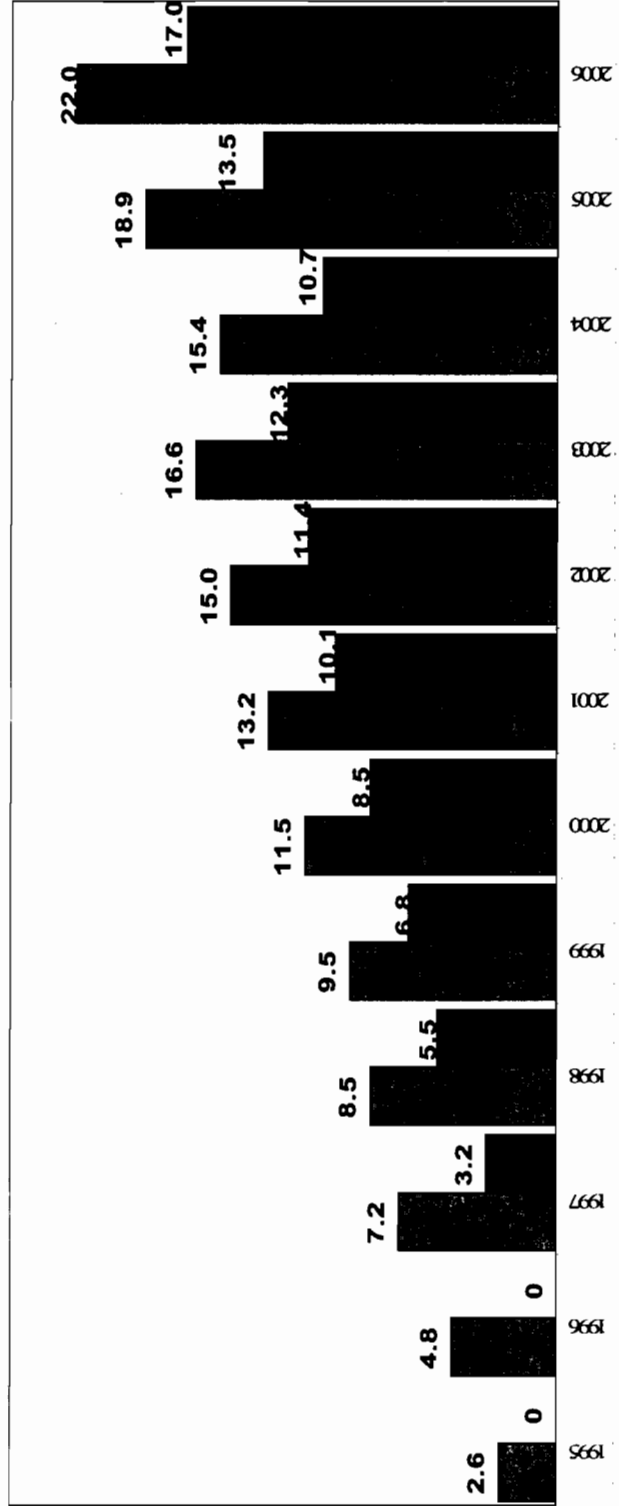
The TRACECA project is also related to Trans-European North-South Motorway and North-South Railway corridor between Gdansk and Odessa, coordinated by the transport ministers of Ukraine and Poland. These two projects will ensure optimum transportation between the Baltic countries (Poland, Germany, Scandinavia) and near-eastern countries of the Black Sea. The TRACECA line is a natural continuation the Gdansk-Odessa and Crete Corridors, ensuring good connections with the countries of the Caucasus and central Asia.

The TRACECA project has also been recognized by the organization of Economic Cooperation of the Countries of the Asia and the Pacific and construction of a new line between Kurda and Osh via Kashgar will shorten the route between Lianyungang and Rotterdam by 1100 km.

In the long term, when the Ürümqi-Kashgar and Kashgar-Jallal-Abad sections are completed, the new TRACECA Silk Road Railway will be the shortest and quickest way from China and the Persian Gulf. We have to take into consideration the new opportunities of regional development by construction of the Tbilisi-Kars section.

Tabl. 1. Volume of cargo transportation by "Georgian Railway" Ltd, mln. tn.

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006 prognosis
Total	2.6	4.8	7.2	8.5	9.5	11.5	13.2	15.0	16.6	15.4	18.9	22.0
Transit i.e TRACECA route	0	0	3.2	5.5	6.8	8.5	10.1	11.4	12.3	10.7	13.5	17.0
% of Transit	0	0	44	65	72	74	76	76	74	69	71	77



## Attitudes of Turkish Firms toward European Customs Union

Ilyas CILOGLU\*, Faruk GURSOY\*

**Abstract:** Turkey-European Customs Union (CU) relations started after (signing) Ankara agreement in 1963. There were some stages to reach final stage in 1996 when the Customs Union agreement signed. There have been discussions both of the advantages and disadvantages of becoming a member of the Customs Union for Turkey. One of them was firms. Arguments were based on how the CU is going to affect Turkish firms. The main aim of this study is to analyze the attitudes of Turkish firms toward Customs Union which have trade relations with EU countries and how they are effected after CU.

The results based on the analysis of data relating to 70 responses indicate that Customs Union has a contribution to Turkish firms in terms of competition, quality improvements, technology etc.

The survey instruments focused on the following areas.

- a- The effects of CU on Turkish trade
- b- The effects of CU on individual firms
- c- The effects of CU on Foreign Direct Investment (FDI)

Research evaluations were discussed and some conclusions were drawn.

**Keywords:** European Customs Union, Trade, attitudes of firms

### Introduction

The Customs Union was widely discussed in the sense that the Turkish economy would not adapt itself very well to new and highly competitive environment of Europe. Many studies were made whether or not entrance to Custom Union is beneficial for the Turkish economy.

Turkey has a long history of trying to become a member of the European Union. In order to become member of EU there are many criteria's to meet. One of them is the Customs Union. The Customs Union is the economic mainstay of EU integration. Turkey signed the Customs Union agreement in 1963 named Ankara agreement. The aim of this agreement is to prepare Turkey for full Custom Union membership. The final aim after Custom Union became full membership to EU. Turkey's full membership has three steps.

**Preparation Stage (1964-1969):** During this period of time, EU members decreased custom duties of some products like cotton and figs, which made a large part of Turkish export.

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\* Assist.Prof. Department of International Economic Relations, Faculty of Social Sciences, INTERNATIONAL BLACK SEA UNIVERSITY, [www.ibsu.edu.ge](http://www.ibsu.edu.ge)  
Address: D. Agmasheneblis Kheivani, 13<sup>th</sup> Km, No: 2, Tbilisi, GEORGIA  
Tel: +99 532 59 50 05, Mobile: +99 577 735374, Telefax: +99 532 59 50 08,  
E-mail: [ilyas\\_c@hotmail.com](mailto:ilyas_c@hotmail.com)

\* Assist.Prof. Department of International Economic Relations, Faculty of Social Sciences, INTERNATIONAL BLACK SEA UNIVERSITY, [www.ibsu.edu.ge](http://www.ibsu.edu.ge)  
Address: D. Agmasheneblis Kheivani, 13<sup>th</sup> Km, No: 2, Tbilisi, GEORGIA  
Tel: +99 532 59 50 05, Mobile: +99 577 757652, Telefax: +99 532 59 50 08,  
E-mail: [fgursoy@hotmail.com](mailto:fgursoy@hotmail.com)

**Transitory Stage (1973-1996):** Transitory stage of 22 years, during which essential measures were put in to force toward trade liberalization, and great reliance on market forces, parties decided that conditions have been fulfilled for the establishment of the customs union. EU decreased customs duties of Industrial products to zero, except olive oil, sugar, sauce and some other goods. Turkey's industrial goods entered EU countries without any customs duties after 1971.

**Final Stage:** By the Association Council Decision of March 1995, the Custom Union came into force on 01.01.1996. This final stage is the most important step for the modernization of Turkish Economy and its integration in to the world trade system.

The main idea of the Custom Union is that industrial goods could move freely between the EU and Turkey without being subject to customs duties or quantity restrictions. With the entry in to force of the Customs Union, Turkey has eliminated all customs duties and changes having equivalent effect, as well as quantities restrictions applied on imports of industrial products from the community. For products imported in to the Turkey from third countries, Turkey started to apply the rates of protection specified in the communities common customs tariff, except for those products classified sensitive. Customs duties on sensitive products are eliminated from 01,01,2001.

### **Literature review**

The Customs union (CU) has been the subject of economists for 50 years. Economic integration did not become a separate subject in economic theory until Viner published his pioneering work in 1950. After that until 1965 economic integration (EI) had 2 different periods Krauss 1972). In the first period (Viner 1950), the impact the CU was investigated on production and consumption and trade flows (Meade 1955, Lipsey 1957). According to Lipsey (1960), there are five possible sources of welfare gain or losses from forming CU. 1) Specialization according to comparative advantage, 2) Economies of scale, 3) Change in terms of trade 4) Change in efficiency due to foreign competition, 5) Change in economic growth. In the second period after the 1960 economists started to ask themselves what the real objectives are of those entering an integration scheme; since some time earlier, with the development of the second best theory, economists reached the conclusion that a priori any agreement for the regional liberalization of trade must not be necessarily positive from a normative viewpoint, even for the partners themselves. Lipsey 1957 and others asserted that some trade-diverting customs union would be beneficial for its members. Work by Johnson 1965, Cooper and Massell 1965 and later Berglas 1979 were the most significant in this respect.

In the 1980s the scale economies argument has been progressively linked to new models of international trade under imperfect competition, drawing abundantly from industrial economics (Krugman 1979, Ethier and Horn 1984, Helpman and Krugman 1985, Smith and Venables 1988, Krugman 1991). The interesting question is to know if customs union creation is a substitute or a complement to competition policy. It used to be thought that trade liberalization could replace competition policy insofar as local monopolies would be kept in check by international competition. The argument is back in fashion in connection to the expected benefits of completing the EC's internal market (Smith and Venables 1988).

The impact of Custom Union on the foreign trade of Turkey are analyzed, and the existences of these impacts are searched by using econometric methods. When looking over the foreign trade statistics between Turkey and European Union, It is clear that both Turkish exports to European Union, and imports from European Union, are increase after the Customs Union. But the growth of imports is bigger than the growth of exports. This condition creates a negative effect on net exports. The Customs Union does not cause a trade deviation from Turkey to European Union (Ismail Seki, 2005). ( Utkulu and Seymen, 2004) confirm that distortions are at reasonably minimal levels. Due to the implementation of the CU especially, there are no tariffs and quotas on industrial commodities between Turkey and the EU. The former one, however, increases its comparative advantage in the world market while decrease in the EU market which is presumably caused by the CU.

Since the EU had already abolished its tariffs for imports from Turkey since 1971, the customs union did not bring about a significant liberalization for Turkey's exports to the EU. On the contrary, Turkey's gradual elimination of tariffs against EU caused slight increases on EU imports to Turkey. But as can be seen from the statistics, changes in import figures were not as drastic as expected. The Customs Union constitutes a very important step towards Turkey's full integration with the EU (Sertoglu & Ozturk, 2003).

According to (Ulgen and Zahariadis, 2004) owing to the EU-Turkish customs union, there is already a considerable degree of convergence between Turkey and the EU in the area of trade. In fact, Turkey is the only candidate country that has a customs union with the EU. At least with respect to the trade in goods, Turkey is almost part of the Single Market. The challenge of enhancing the present state of trade integration could be approached in two ways. First, the Customs Union could be deepened by refining the arrangements and addressing its shortcomings. Secondly, the degree of trade integration could be enhanced by incorporating areas such as services and agriculture – thus widening the Customs Union – which is also explored in detail.

(Neyapti, and Ungor) observed that the income elasticity of both exports and imports are lower in the EU countries, and especially in the CU period. The effect of the RER on Turkey's exports is stronger for the CU period, though not earlier. For imports, we observe just the reverse: real appreciation of TL has had a positive impact on imports especially for the EU countries, though not in the CU period. The amplified effect on imports of the *rer* for the EU country group probably captures the increased imports during the periods of largely overvalued TL, especially in 1993 and 2000. In addition, they observe that countries with higher political instability and better governance have had more trade with Turkey than others. According to them customs union agreement has contributed to the increasing volume of trade between Turkey and the EU. In addition, income effect on trade has decreased over the CU period. However, our exports to the EU have become more responsive to the real exchange rate misalignments during the CU period, though not imports. This implies that periods of overvalued TL have come to carry a greater destabilizing risk for Turkish trade with the EU for it leads to a larger fall in exports than before.

Ercakir (2005) mentioned that becoming member of the CU affected Turkish producers to improve the quality of products because of high competition in Europe. (Mercenier and Yeldan1997) found that Turkish economy was likely to suffer welfare losses from CU. In contrast Harrison explained positive welfare gains from CU. (Astrid-Marina Lohmann) examined Turkey's intra-industry trade with the EU in the 1990s.( Harrison, Rutherford, Tarr, 1997) used computerable general equilibrium model, the impact of the Customs Union between Turkey and the European Union. (Toksoz, Mina, 1996) found that the Customs Union will give a major boost to EU exports to Turkey as tariffs are reduced on thousands of industrial products. (Togan) explained liberalization of trade in industrial commodities and agricultural commodities.

### **Data collection and the respondents**

The study was conducted among 70 firms, from Istanbul, Denizli, Ankara, and Samsun, in March and April, 2005. Respondents were selected through convenience sampling. 150 questionnaires were distributed and 70 of them returned and response rate was 47 percent. The response rate was reasonable, because the researcher expected a low response rate. Overall a "typical" response rate is about 50 percent; a "good" one is 60 percent to 70 percent (Kervin, 1992). Therefore, a "drop-off, pick-up" method of survey administration was found very suitable for the purpose of this study, and it was adopted. Before the survey administration, a pre-test of the questionnaire was conducted with a small group of respondents, and the result was satisfactory. One of the reasons for not returning paper is the behavior altitude of the firm's owner.

A survey was conducted by Firm's owner; representatives of the firms who have trade relations with European Countries and have an idea of the CU took part in the survey and got the questionnaires filled.

The answers of the questions depend on how they are affected by the CU agreement. If their benefits are more than their losses they mostly answer that the CU has a positive impact on Turkish trade. If their loss is more than gain they answered CU has a negative effect on Turkish trade.

Data were collected by means of self-administered questionnaires, each lasting for approximately 15 minutes. The questionnaire was first developed in English and then translated into Turkish for Turkish firms. Then, a business professor and a Turkish language professor, who are also fluent in English checked the Turkish translation. Finally, the Turkish translations of the questionnaire were retranslated back to English by four students in order to ascertain that it was conveying the exact meaning as originally designed. Surveys were based on a questionnaire consisting of two parts: the first asked a series of questions focusing on the effects of the CU on Turkish trade; the second comprised some questions about the effects of the CU on their business. A special effort was made to keep the questionnaire as simple as possible in terms of structure, wording, and scaling. A five-point Likert scale was used to search attitudes of firms towards the CU.

The survey instrument focused on the following areas:

- The effects of CU on Turkish trade
- The effects of CU on individual firms
- The effects of CU on foreign Direct Investment (FDI)

As it is mentioned above, there were many obstacles to CU. Some of them are;



- Small enterprises will be affected because of low technology and lack of knowledge
- Import from third countries will decrease
- Turkish firms will be affected with the high competition
- The firm's profit will decrease
- If encouragements will not be like EU, EU's support for its producers will influence Turkish producers in a negative way
- Labor costs in Turkey will increase, and one of the advantages of Turkish producers will disappear.

## Evaluations

**Table 1. Mean Scores for Each Attitude toward Customs Union .**

Factors	Mean Scores
Labor costs in Turkey increased, and one of the advantages of Turkish producers disappeared after CU	2.94
Turkey became a center for those EU firms which would like to move products to central Asia, Black Sea Region and Middle East.	2.93
The benefits of firms increased after CU	2.91
CU weakens Turkish firm's competitiveness	2.84
Access to the EU market will bring huge trade opportunities to Turkish producers	2.71
Foreign direct investment increased after CU	2.69
Small enterprises are affected because of low technology and lack of knowledge	2.67
Custom Union agreement created more trade opportunities between European Union and Turkey	2.64
Turkey's infrastructure developed by financial cooperation and also increased cooperation between EU and Turkish firms through joint programs.	2.64
Custom Union is a big lie	2.63
EU's support for its producers influences Turkish producers in negative ways	2.53
After Custom Union agreement the competitiveness and quality of Turkish products increased	2.36
Becoming member of CU before Full membership was a big mistake	2.31
CU will provide more positive effects after full membership of Turkey	2.21
<b>Overall Average</b>	<b>2.07</b>
Mean scores are based on a five-point scale ranging from 1= Strongly agree to 5= Strongly disagree	

Table 1 displays the results of mean scores for each environmental impact statements used in the study. The statements in Table 1 have been arranged in order of the magnitude of the mean score. The highest mean score (2.94) was for the statement that labor costs in Turkey increased, as this statement shows us that firms suffered from labor increased cost. The answer to above statement shows that the qualification of workers increased which effected labor cost. Another statement is, the advantage of Turkish producers disappeared after CU and CU weakened Turkish firm's competitiveness (2.84) got relatively higher scores. It supports the arguments of CU which affected small and medium enterprises (SME) in a negative way. Many SME collapsed after this agreement. The representatives of the firms think that Turkey became a center for those EU firms which would like to move products to central Asia, Black Sea Region and Middle East (2.93) and the statements "Foreign direct investment increased after CU (2.69). Table 1 implies that foreign firms come to Turkey to invest more after the CU agreement. In 1995 EU's share of foreign direct investment (FDI) was 62.91 %, in 1996 85.28, in 1997 % 60.92. There is a sharp decrease in 2002 which is the result of 2001 crises in Turkey.

It is found that the benefits of firms increased after CU (2.91) and access to the EU market will bring huge trade opportunities to Turkish producers (2.71). Many firms entered to Turkey after CU. Turkish firms made an agreement with them and increased the quantity of the products exports. On the other hand, they disagree that CU will have more positive effects after the full membership of Turkey (2.21). This statement is one of the most interesting results. A higher score was expected for this question, among researchers in Turkey and Europe, there is a belief that CU is a big step to becoming a full member of EU. In the scale, becoming member of CU before Full membership was a big mistake (2.31), has also got relatively lower scores. This statement has been discussed by researchers; some of them agree on this statement some of them do not. But businessmen mostly stated that it was a mistake signing CU agreement without becoming a full member of the EU. Owners of firms argument is, Turkey must accept the rules accepted by EU countries, which will be used by Turkey where Turkey does not have any contribution to those decisions.

The statements “Access to the EU market will bring huge trade opportunities to Turkish producers (2.71)” . That might be because Turkish firms increased the quality of products. The above statement and high scores imply that Turkish producers got some more trade opportunities and started to improve the quality of the products. In order to meet EU’s criteria, many firms renewed themselves. For example some sectors became more popular and started to produce high quality products. The automotive sector showed a sharp production increase. The production of color Television increased from 1.8 million to 8.8 million items in between 1996-2000. The textile and ready made clothes sector in 1998 had a 19 % in total manufactured goods, in a total production 5.5 % and 21 % , and it increased to 39 % shares in total export of Turkey. As result of CU, input costs decreased in Electronics industry. Production between the years 1996-2000 increased by 14%, and exports by 38% (from 500 million dollars to 1.2-1.3 billion dollars).

Between 1995-2000, the production of refrigerators increased from 1.7 millions to 2 million items, washing machines from 866000 to 1.3 millions, vacuum cleaners from 879000 to 1.2 million, automobiles from 222000 to 306000, buses from 12000 to 47000.

## Factor Analysis

**Table 2 Factor Analysis of Attitudes toward Customs Union**

Factors	Factor Loadings			
	1	2	3	4
<b>Factor 1: Pessimistic approach to Custom Union</b>				
EU’s support for its producers influences Turkish producers in a negative way	.749	.191	.058	.112
CU weakens Turkish firm’s competitiveness	.713	.076	-.026	-.057
Small enterprises are effected because of low technology and lack of knowledge	.604	.028	.107	-.020
Custom Union is a big lie	.602	-.209	-.322	.367
Becoming a member of CU before Full membership was a big mistake	.576	-.074	-.202	.539
<b>Factor 2: Optimistic approach to Customs Union</b>				
Custom Union agreement created more trade opportunities between European Union and Turkey	.083	.829	.107	-.089
After Custom Union agreement the competitiveness and quality of products increased	-.140	.806	.290	-.009
The benefits of firms increased after CU	.342	.542	.231	-.128
CU will have more positive effects after full membership of Turkey	.141	.501	-.208	.404

Factors	Factor Loadings			
	1	2	3	4
<b>Factor 3: Opportunistic approach to Custom Union.</b>				
Access to the EU market will bring huge trade opportunities to Turkish producers,	-.008	.010	.784	.032
Foreign direct investment increased after CU	-.198	.280	.705	.118
Turkey became a center EU firms would like to move products to central Asia, Black Sea Region and Middle East.	.193	.136	.623	-.050
<b>Factor 4: Cooperation seekers</b>				
Turkey's infrastructure developed by financial cooperation and also increased cooperation between EU and Turkish firms through joint programs.	-.043	.093	.380	.765
Labor cost in Turkey increased, and one of the advantage of Turkish producers disappeared after CU	.030	-.078	-.021	.521

**Note:** Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Factor analysis produces hypothetical constructs, called factors, which represent sets of variables (Harman, 1967). The principal component method of factor analysis was used with a varimax rotation. The resultant Varimax rotation factors are given in Table 2.

The first factor in Table 2 consists of: "EU's support for its producers influences Turkish producers in negative ways (.749)", "CU weak Turkish firm's competitiveness (.713)", "Small enterprises are influenced because of low technology and lack of knowledge (.604)".

"Custom Union agreement created more trade opportunities between European Union and Turkey (.829)" and "After Custom Union agreement the competitiveness and quality of products increased (.806)", "The benefits of firms increased after CU (.542), and "CU will have more positive effects after full membership of Turkey (501).

The third factor in Table 2 delineates a cluster of "Access to the EU market will bring huge trade opportunities to Turkish producers (.784)", "Foreign direct investment increased after CU (.705)", "Turkey became a center for those EU firms which would like to move products to central Asia, Black Sea Region and Middle East (.623)",

The fourth factor delineates a cluster of "Turkey's infrastructure developed by financial cooperation and also increased cooperation between EU and Turkish firms through joint programs. (.765)", "Labor cost in Turkey increased, and one of the advantage of Turkish producers disappeared after CU (.521).

**Table 3. Factor analysis results- Attitudes toward Customs Union**

Factors	Eigenvalues	% of Variance	Cumulative variance%
Factor 1: Pessimistic approach to Custom Union	2.372	16.944	16.944
Factor 2: Optimistic approach to Customs Union	2.086	14.901	31.845
Factor 3: Opportunistic approach to Custom Union	1.998	14.271	46.116
Factor 4: Cooperation seekers	1.503	10.735	56.851

**Notes:** \*Rotation Sums of Squared Loadings of Total Variance Explained

### Reliability Analysis

Cronbach's coefficient alpha was used in this study to assess the reliability of the measures. Nunnally (1976) suggests a reliability coefficient of 0.60 or larger as a basis for acceptance of the measure. A Cronbach alpha coefficient of 1 would indicate perfect

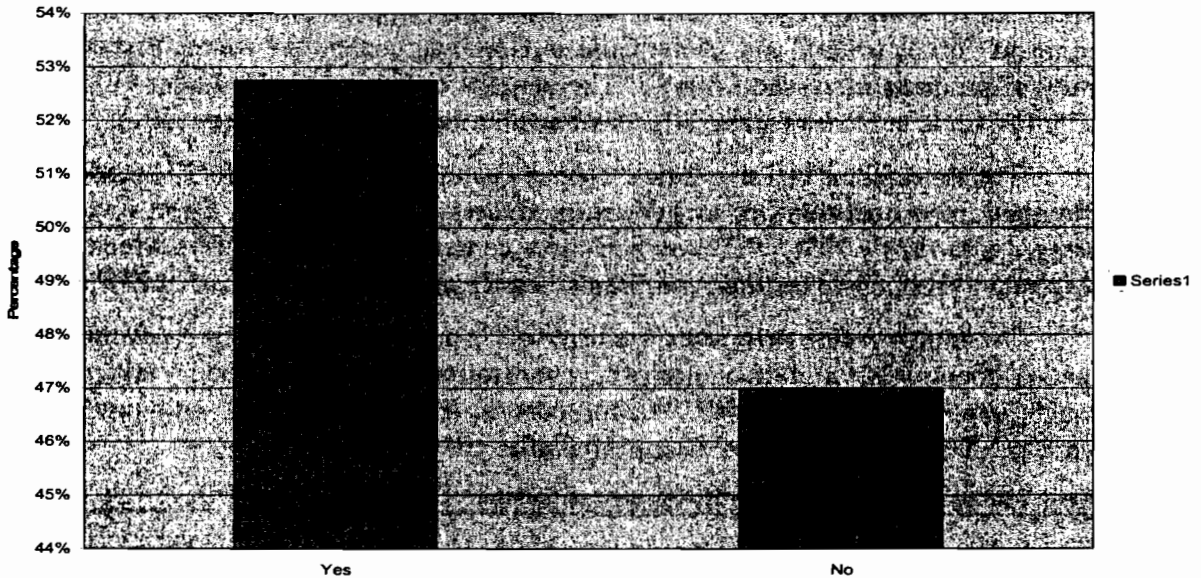
uni-dimensionality within a scale. When Cronbach alpha was computed for all the fourteen scale items this was found to be 0.653. This indicated the possibility that the entire scale was uni-dimensional. Cronbach alpha coefficient of 0.653 can be considered a reasonably high reliability coefficient. Based on this, it can be assumed that all 14 items used are measuring the same construct (Attitudes toward Customs Union) and, therefore, a summative measure can be used to represent the Attitudes toward Customs Union score of the respondents (see Table 4).

**Table 4. Reliability statistics**

	Cronbach's Alpha	N of Items
All	.653	14
Factor 1	.721	5
Factor 2	.637	4
Factor 3	.620	3
Factor 4	.348	2

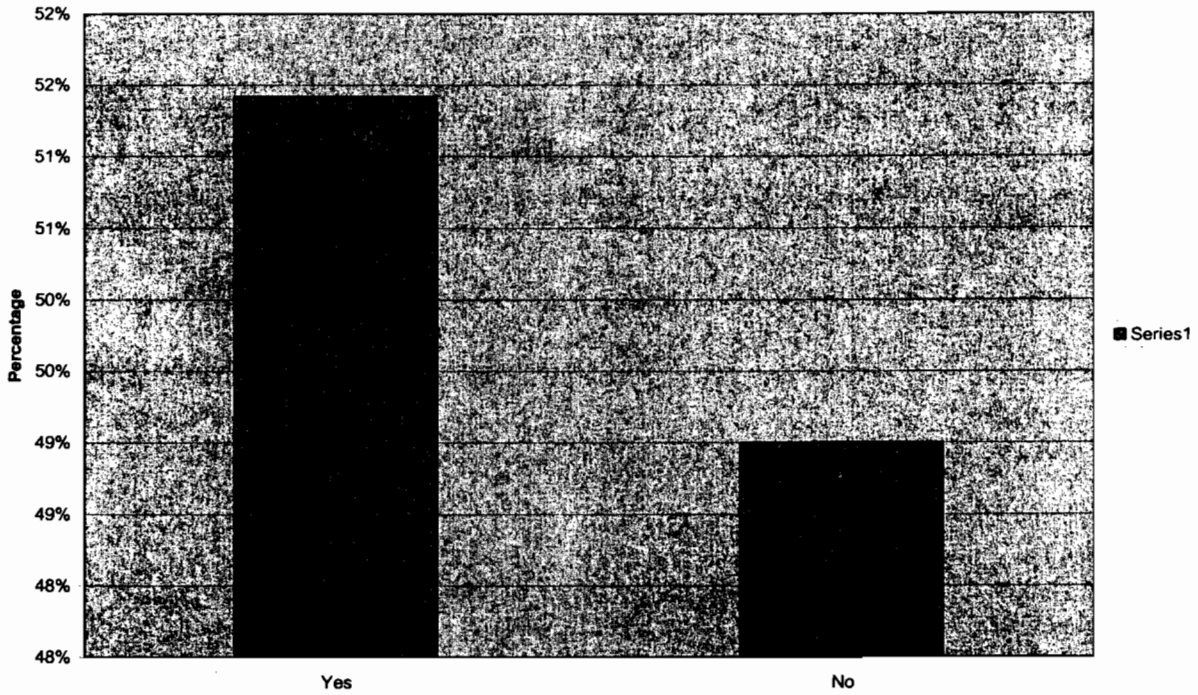
Factor 1 consists of five items with internal consistency reliability of 0.653; factor 2 had four items and reliability of 0.637; factor 3 consists of three items with reliability of 0.620, and factor 4 consists of two items with reliability of 0.348. Even though a reliability of factor 4 is relatively low, the factor coefficients of the items are highly polarized (see Table 4).

**Graph 1. Firm's export increased after Custom Union**



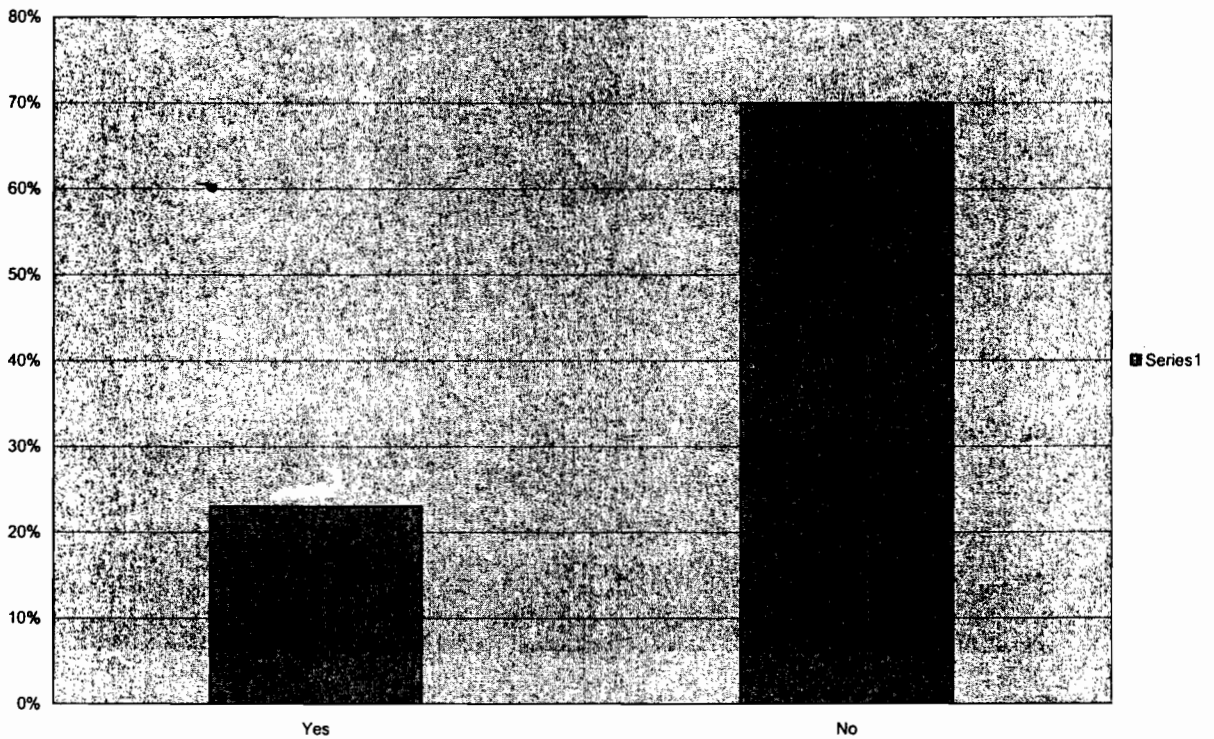
As we see from graph 1 among 70 firms questionnaire, 53 % (37 firms) firms owners or representatives answered that their trade volume increased after CU, but 47 % (33 firms) disagreed. This result implies that more firms increased their export to European Counties after Custom Union agreement.

**Graph 2. Firm's import increased after Custom Union**



Graph 2 shows that 51 % (35 firms) of firms owners or representatives of the firms answered that import increased after CU, but 49 % (29 firms) disagreed. It can be concluded that import increased after CU agreement. As a result of these two graphs, it can be said that trade volume between Turkey and EU increased after CU.

**Graph 3. Financial aid after CU**



One of the main problems of entering CU is the conditions of agreement on Small and Medium Enterprises. It is believed that this agreement hugely affects these kinds of firms. In order to support these firms EU grants them in some expenses. Therefore, we added this question “We take financial aid after CU”to the questionnaire to see how many firms took grants from EU. Graph 3 shows that 23 % (16 firms) got financial aid after CU and 77 % (49 firms) said no.

### **Conclusion**

EU-Turkish relation has been the subject of the member countries and Turkey for many years. There has been conducted many researches have been conducted to analyze the importance of EU membership for Turkey and vice versa. EU membership is the final aim of Turkey. There are many sub-titles which Turkey must meet, such as economic and political requirements. The Customs Union is one of the most important one among under the economical criteria.

In the research it is observed that 16 % of applicants are pessimists toward to Custom Union. Optimistic approach to Customs Union is 14 percent. Opportunistic approach to Custom Union 14 percent and Cooperation seekers are 10 percent. According to those results, it can be said that firms are eager to become member of CU. Besides that, there were some surprise results like “ Becoming member of the CU before Full membership was big mistake” got 2.31 mean score and “The CU will have more positive effects after full membership of Turkey” and mean score is 2.21, which were expected high scores, got low scores.

As a result, the attitude of Turkish firms towards the CU is positive. Even they lose in short run, they are thinking, they will earn more in the future.

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### Introduction

The great Black Sea area comprises a wide set of structures of global reach, well beyond its shores, namely the Euro-Atlantic structures of the North Atlantic Treaty Organisation (NATO) and the European Union (EU), the south Caucasus and central Asia through the Eurasian corridor, the Great Middle East, and Russia. In this area, the final frontier for Euro-Atlantic integration was drawn for a long time, and here also the new security dynamics of the post-September 11 international order are being defined. This reality has made Europe more aware of its security needs and of its strategic objectives in the periphery, namely in the Black Sea region.

The European Neighborhood Policy (ENP), designed to develop a framework for EU relations with its neighbors, aims to bring stability and development to areas bordering the Union, thus reinforcing European security, as stated in the European Security Strategy. The inclusion of the southern Caucasus countries signalled the understanding inside the Union that stability at the EU's borders is not possible without a policy designed for countries on both sides of the Black Sea. This means that this sea cannot be seen as a final frontier, but as a new centre for security matters in the European periphery. Georgia has acted as a leader in the Caucasus towards the West, particularly since the Rose Revolution, in 2003, not only bringing the south Caucasus into the ENP, but also influencing decisively events in Ukraine in 2004, and consequently in the Black Sea area. Adding to this, the official discourse from Tbilisi stresses a wish to gradually come closer to the Black Sea and step away from a hardly recognizable south Caucasus region.

This paper is set to define in the way in which way Georgia's renewed interest in the Black Sea might work as a catalyst for western attention on the Caucasus, drawing both on regional elements of proximity between the two regions, and on their shared aspirations of embracing a larger community through the ENP and NATO. The renewed international interest in the Black Sea and the enhanced level of cooperation developed in this area can work as a preparatory stage for south Caucasian regional relations and of them with the EU. If regionally there has been little to bring interests together on common goals, the presence of larger regional organisations, like the EU, has created enhanced opportunities for cooperation in the south Caucasus and the Black Sea, setting the stage for stabilization of the eastern shores of the Black Sea. The EU is a player whose interests in the region are getting clearer, and more strategic, deriving from here an important aspect of stabilization processes, dealing with EU relations with other international actors like Russia, Turkey, Iran, the US or the United Nations and OSCE. In this complex setting, this paper aims at addressing the role Georgia and the ENP play in the pursuit of the goals of stabilisation and democratic reform in the Caucasus, as a precious complement to Black Sea stability.

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\* PhD, European Studies, International Relations, University of Coimbra, Portugal

## Looking for stability in a complex setting: the enlarged Black Sea area

From a traditional geopolitical perspective, the Black Sea is a liquid mass linking Europe and Asia, a region of civilisational exchanges, and cultural meeting point for disputed interests between the “western and the eastern factors”. This interpretation has been questioned with NATO and EU enlargements to this area of former Soviet domain, and with political and social changes operated in the western end of the region, that have disconnected it, to a large extent, from the Asian reality, making it an “European Interior Lake” (Loucas, 2000). All riparian states have developed close links to NATO, either through Partnership for Peace (PfP) instruments, formal accession processes, or actual membership, Turkey being a long time ally of the US, and a major player in the Black Sea region, along with Russia<sup>1</sup>. Russia’s relation with NATO was for a long time strained by fears of being co-opted in the region, and especially during the Balkans and Kosovo crisis, and recently again in the Iraqi US intervention, its relations with NATO/EU member states France, Germany and US were particularly hard (George C. Marshall European Center Report, 2004).<sup>2</sup>

The EU has also moved from being a relatively distant player in the Black Sea area, to being one with direct borders with Russia in the Baltic, and soon with the Caucasus and the Middle East, after Bulgaria and Romania’s accession is completed in 2007, and Turkey is accepted somewhere around 2015. Reflecting this perception, the new EU Neighborhood Policy was designed to include states neighbouring the Union and to promote political and economic development through enhanced integration among regional states and of these with the EU, playing on the strong economic appeal of the European Single Market, on its unchallenged institutional presence and on the centrality the Black Sea has on energy security matters for the EU (Samson & Sepashvili, 2005). This presence has already changed the way the region’s countries perceive their political options; with the Colour revolutions of Georgia and the Ukraine, a movement was created towards democratic choice that had repercussions to different levels, in all the Community of Independent States (CIS).<sup>3</sup>

This dynamic has been perceived in Moscow as a threat to the status quo, particularly hard to handle in military and energy matters<sup>4</sup>. The lack of a constructive

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<sup>1</sup> Turkey and Greece became NATO members in 1952, Bulgaria and Romania became members in 2004, and Ukraine and Georgia participate in the PfP initiative and have taken steps to apply for formal membership. Russia has a special partnership with NATO, through the NATO-Russia Council.

<sup>2</sup> For more information on NATO-Russia relations see Hunter, Robert E. (2004) “NATO-Russia Relations After September 11” in Hunter, Shireen (ed.) *Strategic Developments in Eurasia after 11 September*; London: Frank Cass; pp. 28-54; and Hunter, Robert E. and Rogov, Sergey M. (2004) *Engaging Russia as Partner and Participant. The Next Stage of NATO-Russia Relations*, Rand Corporation, available at [www.rand.org](http://www.rand.org)

<sup>3</sup> A similar movement was initiated in Kyrgyzstan, forcing a change of leadership, although, it is not clear to what extent it can be considered a democratic change. See “Kyrgyzstan: Was ‘Revolution’ a Worthy Successor to Rose and Orange? (Part III)” *Radio Free Europe/Radio Liberty* April 8, 2005. In Moldova, President Voronin has officially supported democratic reforms and Moldova’s future accession to Euro-Atlantic structures. See “Moldova Warned Against Turning From Russia” *Radio Free Europe/Radio Liberty*, November 24, 2004 and “Moldova, EU Sign Cooperation Plan” *Radio Free Europe/Radio Liberty*, February 22, 2005.

<sup>4</sup> For an interesting assessment of Russian and EU perspectives on their common neighbourhood see: Lynch, Dov (2004) “Russia’s strategic partnership with Europe”, *The Washington Quarterly*, Vol. 27(2), Spring; pp.99-118; Haukkala, Hiski and Moshes, Arkady (2004) *Beyond the “Big Bang”: The challenges*

approach bringing together regional and global players, like Russia, the EU, and the US has hampered efforts in several areas: the fight against smuggling operations, directed at feeding criminal activities and terrorism, making the domestic, regional and international scenarios highly unstable; the development of a stable and reliable network of energy infrastructures capable of guaranteeing the security of consumers and producers; resolving the regional conflicts and ethnic tensions; and finally, guaranteeing the democratic transition of these countries.

Regional initiatives have been put in place since 1992, including all the coastal states of the Black Sea, most notably the Black Sea Economic Cooperation (BSEC), revealing great capacity to deal with most pressing issues of the region such as the development of cooperation structures in matters of environmental protection, trade and economic development, tourism, transport, energy, among others in a total of 16 different areas<sup>5</sup>, and the BLACKSEAFOR, an initiative set forth by Ankara to promote regional cooperation, through improved relations in the Black Sea area and thus guarantee peace and stability<sup>6</sup>. Other initiatives like GUAM<sup>7</sup>, the Community of Democratic Choice<sup>8</sup>, the Baltic-Black Sea Region<sup>9</sup>, have tried to set a framework for relations among the enlarged Black Sea area, comprising the Balkans, the south Caucasus, southeast Europe, Russia and the EU. This reality, however, is not only at times unproductive, but also counterproductive, with duplication of objectives, efforts and mistakes.<sup>10</sup>

The Caucasus presents a particularly difficult and intricate situation, gaining importance and visibility, and decisively affecting the definition of Black Sea countries'

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of the EU's Neighbourhood Policy in the East, Finnish Institute of International Affairs, Report 9 ([www.upi-fiiia.fi](http://www.upi-fiiia.fi)).

<sup>5</sup> See [www.bsec-organization.org](http://www.bsec-organization.org)

<sup>6</sup> See [www.blacksefor.org](http://www.blacksefor.org)

<sup>7</sup> GUAM stands for Georgia, Ukraine, Azerbaijan and Moldova, which are the countries composing this organization created in 1997 (from 1999 to 2002, Uzbekistan joined the group, forming GUUAM, but the September 11 events allowed Tashkent to develop a bilateral relation with Washington, leading to a declining interest in GUUAM. See "GUUAM Reverts to GUAM as Uzbekistan Suspends Its Membership Prior To Yalta Summit" *Eurasianet* July 18, 2002). This organization is backed by the US, and was created with the overall objective to counterbalance Russia's influence over the CIS, to develop closer relations on matters of energy and security in the Black Sea-Caspian region. See "GUAM leaders pledge to boost regional cooperation" *GivilGeorgia*, April 22, 2005. In May 2006, GUAM leaders gathered in Kyiv and decided to change the name of the organization to Organization for Democratic and Economic Development (ODED) reinforcing the common wish among its member states to fully adhere to Euro-Atlantic values and structures, having discussed the possibility of enlarging the membership to countries like Romania, Bulgaria, Lithuania and Poland. See "GUAM Gets New Life, New Identity" *Eurasianet*, May 24, 2006.

<sup>8</sup> See "Ukraine: Regional Leaders Set Up Community of Democratic Choice" *Radio Free Europe/Radio Liberty* December 2, 2005.

<sup>9</sup> Makarychev, Andrey S. (2005) "The Baltic-Black Sea Connection: A Region in the Making or a Political Project?" PONARS Policy Memo No. 390, December.

<sup>10</sup> Recent examples of this can be seen in the tentative to establish the Black Sea Forum for Partnership and Dialogue, with its inaugural meeting scheduled for Bucharest on June 4-6, unattended by Russia's President, for considering it redundant and ineffective. Most analysts agree that this refusal also stated a position from Moscow, that it will not endorse any institutional developments it has not complete control over. See "Black Sea Forum Seeking its Rationale" *Eurasia Daily Monitor*, Vol. 3 (111), June 8, 2006 and "Moscow, Ankara reluctant to welcome new Black Sea Forum" *Eurasia Daily Monitor*, Vol. 3 (112), June 9, 2006.

political choices. The so-called “frozen conflicts” of Abkhazia and South Ossetia in Georgia, the Nagorno-Karabakh dispute between Armenia and Azerbaijan, and the Chechen conflict inside the Russian Federation, are major obstacles to development and their resolution is recognized as a precondition for the building of security.<sup>11</sup> The content of this settlement, however, reveals the differences regarding politico-economic and strategic options and the overlapping interests of these countries regarding the area’s energetic resources (Freire and Cierco, 2005). The development of a much spoken Eurasian corridor is slowly taking shape, through initiatives promoted by the EU, like TRACECA and INOGATE, and more recently the Neighbourhood Policy, or the US Silk Road Strategy Act, of 1999, fostering conditions for trade and energetic relations to develop (Kutelia, 2001; 80). The producer countries of the Caspian basin and the transit countries of the Caucasus have developed its resources, allowing the EU to realize its Energy Strategy of source diversification, and infrastructure security. To this objective, Turkey and US support for the Baku-Tbilisi-Ceyhan pipeline represented an alternative to Russian dominated energy infrastructures towards the West, enhancing Ankara’s strategic importance as an energy hub, and of the Caucasus as a transit route for energy out of the Caspian towards western markets in Europe and the US<sup>12</sup>. The opportunity for democratic transformation and economic development in the Black Sea area, can thus be reinforced if a common choice is taken towards Euro-Atlantic structures, something not all clear in the South Caucasus context, but much more visible in the Black Sea. How the Caucasus can be stabilized in order to fulfil its potential, and how can the ENP help in this objective, are central questions in this reflection.

### **ENP dynamics in the South Caucasus and its effects on the Black Sea**

The EU’s presence in the south Caucasus dates back to the break up of the Soviet Union, through a stabilization approach directed mostly to guarantee humanitarian aid and technical assistance. The Union’s strategy for the south Caucasus countries was marked, first and foremost by the “Russia first” strategy and by the conflicts that emerged in the region upon independence; its objectives were to create a platform for dialogue on political and economic issues, and to foster regional

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<sup>11</sup> For an interesting assessment of the links between corruption and conflict in the south Caucasus, see Natalia Mirimanova and Diana Klein (eds) (2006) “Corruption and conflict in the south Caucasus” *International Alert*, February.

<sup>12</sup> The Caspian alternative has been gathering support inside the EU, however the terrestrial routes for energy out of the Caspian cross some of the most sensitive territories in the EU’s neighborhood, namely the secessionist territories inside Georgia, the disputed region of Nagorno-Karabakh, the Turkish Kurdistan, or the conflict ridden Chechnya and Dagestan in the Russian Federation, making the pipelines susceptible of being targets of subnational or terrorist attacks, disrupting energy flows and thus destabilising producing and consumer countries. See Sokolsky, Richard and Lesser, Ian (2001) “Threats to western energy supplies: scenarios and implications” in Sokolsky, Richard, et al. *Persian Gulf Security: Improving Allied Military Contributions*; Rand Project Air Force, pp. 7-28 available at [www.rand.org](http://www.rand.org). Another matter of concern is related to economic distortions (The Dutch Disease) and dependency on oil revenues, leading to the creation of politically protected interests, and corruption on governmental levels, something widely criticised in Azerbaijan, Kazakhstan or Turkmenistan. See Radjy, Tim (2005) *Geopolitical analysis of the Eurasian corridor*; ISN available at [www.isn.ethz.ch](http://www.isn.ethz.ch), as well as the use of energy revenues to build up military strength that would allow Georgia and Azerbaijan to resort to violence in trying to resolve the conflicts of the south Caucasus. See Rettman, Andrew (2006) “EU neighbours drifting into war, Brussels warns” Brussels: EU Observer 29 of August, available at [www.euobserver.com](http://www.euobserver.com).

cooperation. This second objective, remains to this day, highly unattained, since the root causes of regional instability are still unaddressed.<sup>13</sup> The development of civilian and military capabilities for external action within the EU, and the expansion of its legal and institutional boundaries eastwards were prompted by a set of perceived changes in the international context, most notably the end of the Soviet Union, the September 11 attacks and the global war on terror, as well as events in its periphery, of particular relevance here, the “Rose” and “Orange” Revolutions. These prompted the Union’s attention and further awareness of the southern Caucasus and Black Sea as areas of strategic relevance in political, economic and security terms, a realization that was consubstantiated by the southern Caucasus countries inclusion in the European Neighborhood Policy (ENP).

The EU’s neighborhood policy, first crafted by a Communication from the European Commission about an enlarged Europe in March 2003, and further consolidated in July the same year,<sup>14</sup> offers cooperation in three main areas: a political, human, civil and cultural dimension; a security one; and sustainable economic and social development, with the aim at establishing a “friendship ring” in the EU’s borders. In May 2004, a Strategy Paper was approved defining closer collaboration between the Union and its neighbors, and included the drafting of Country Reports with a bilateral character, and according to the most pressing needs of each of these countries, reflecting the political, economic, social and institutional situation in these countries as a basis for the definition of the Action Plans. These “suited to fit” Action Plans aim at bridging the differences between needs and capabilities, establishing concrete and simultaneously ambitious targets in distinct areas for integrated development of each of these partners, particularly in the process of politico-economic and democratic transition. “The EU wishes to see reinforced, credible and sustained commitment towards democracy, the rule of law, respect for human rights, and progress towards the development of a market economy”. The Paper adds emphasis to strengthening the rule of law and promoting conflict settlement, along with an explicit reference to the issue of energy “as the southern Caucasus is an important region both for the production (the Caspian basin) and the transit of energy”.<sup>15</sup>

For long the civilian nature of this normative actor was seen as its weakness, with the weight of historical dependence on the North Atlantic Treaty Organization and the United States as Europe’s security umbrella, preventing it from having a stronger stance on political-military and defense issues. However, not only was the civilian and normative character of the EU not erased, it was understood as a fundamental asset in the Union’s dealings with its periphery, building on the EU’s soft security approach. This includes supporting reforms towards democratic transition and stabilization, along with enhanced power through new deployment and involvement capabilities, conferring on the Union a stronger stance to act and respond in areas directly connected to its

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<sup>13</sup> As noted in a Communication from the Commission on EU relations with the South Caucasus under the PCA of June 1999 and the Joint Luxemburg Declaration by the EU and the Heads of State of Armenia, Azerbaijan and Georgia.

<sup>14</sup> Communication from the Commission *Wider Europe Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbors*, COM (2003) 104, 11 March 2003; Communication from the Commission *Paving the Way for a New Neighbourhood Instrument: A New Framework for Relations with our Eastern and Southern Neighbours*, COM (2003) 393, 1 July 2003.

<sup>15</sup> Communication from the Commission *European Neighbourhood Policy Strategy Paper*, COM (2004) 373 final, 12 May 2004, pp. 10-11 and 17.

security. The Union's involvement in the southern Caucasus is also an example of this proactive approach (Freire and Simão, 2006).

So far, the definition of the Action Plans for the three south Caucasus countries has not been completed, denoting the difficulties inherent to the development of a coherent approach to the region, and most of the priorities accorded in the countries' assessment reports, namely conflict prevention and conflict resolution, as well as political and economic development through closer collaboration with EU structures, have not been achieved. The appointment of a new EU Special Representative for the south Caucasus, Ambassador Peter Semneby, was an attempt to renew the mandate, enlarging it while bringing a younger and more energetic figure to the area.<sup>16</sup> Six months after his nomination, main issues related to conflict resolution have become more complex and intricate, as the window of opportunity opened by elections in the south Caucasus in 2003 closes down. Although much was expected to happen at the last G8 summit in St. Petersburg, in this matter, the Caucasian conflicts relapsed to second line, and are not expected to have a high profile stance in the medium term, with issues on the international agenda like the Israel-Lebanese war, the Iranian question, and the North Korean nuclear program taking central stage.<sup>17</sup>

Despite difficulties in guaranteeing a managed democratic transition for the south Caucasus, a lot has been achieved, resulting in important dynamics across the Black Sea. The inclusion of the south Caucasus countries in the ENP brought governments under international scrutiny and defined the EU's role in the region. The political and security vacuum left in the Black Sea region after the collapse of the USSR is still to be filled, and it is not clear to what extent the presence of forces like the US, the EU, Russia and Turkey can help find solutions, or on the contrary raise levels of competition for power (SIPRI, 2003). Some level of regional cooperation and integration has resulted from EU membership perspective, especially if it is seen as a step towards integration into Euro-Atlantic structures (Ram, 2001).

It is then clear that stability and security in the south Caucasus is not only related to events on the Black Sea area, but also have a direct bearing on how this area develops itself as a strategic economic and security region on the eastern European border. Many of the threats still recognized by the EU as priorities for its safety lay in the drug and human trafficking occurring through the Black Sea, the smuggling of Weapons of Mass Destruction (WMD), the corruption and organized criminality associated with weak states and uncontrolled territories, and the persistence of traditional threats, like the interstate conflict of Nagorno-Karabakh, the breakaway regions inside Georgia and Moldova, or the Chechen conflict (Solana, 2003). It is also important that Brussels and Washington guarantee close collaboration with the partners of the region in order to correct strategies and guarantee that democratic governments supporting closer relations with the Euro-Atlantic structures deliver results, and thus guarantee domestic support for reforms.

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<sup>16</sup> The Finnish diplomat Heikki Talvite was the first EU Special Representative (EUSR) for the South Caucasus, appointed in 2003. Critics of this choice pointed to the fact that the EUSR had a difficult and very large mandate, and was someone who was not seen as having the necessary energy to fulfil expectations. Mullen, Mark (2006) *Personal interview with Transparency International Georgia's Chair of the Board of Directors*, Tbilisi, May 1<sup>st</sup>.

<sup>17</sup> See "International attention scant for Georgia's peacekeeper woes", *ReliefWeb*, July 18, 2006.

It is impossible to devise any successful strategy for the Black Sea area, without a stable Caucasus, and as before, again Georgia represents an important bridge linking the two shores (Trapans, 2005). The EU has every interest in fulfilling the expectations created by the Rose revolution, guaranteeing the stability and prosperity of the country, the stability of the energy fluxes and the peaceful resolution of conflicts, as well as the development of means to control new security threats emerging. In this light the EU will also be answering important questions, related to the frontiers of Europe, and the EU's capabilities as a security actor, the transatlantic relation and EU's relation with Russia (Lynch, 2006).

### **Building bridges through Tbilisi?**

Georgia gained the status of regional leader with the revolutionary events of November 2003<sup>18</sup>. The popular upheaval that ended Shevardnadze's government promised to rid the country of the corruption, unemployment and economic difficulties that independence had brought, and was supported by most international actors, including the US and the EU. Although today's situation is considerably better, a lot remains to be done in order to move beyond a post-revolutionary period, and to guarantee that solid bases for a stable development are being laid.<sup>19</sup> President Mikhail Saakashvili's young team in government grabbed the opportunity and announced Georgia's western vocation and its wish to enter NATO and the EU, as a national consensus.

Three years after those events, the President's team faces many difficulties with high levels of unemployment, corruption scandals implying government members, and the lack of resolution to the conflicts in Abkhazia and South Ossetia. Energy cuts on the Russian side of the Russian-Georgian border, in early 2006 left the country freezing, and the boycott on Georgian products in Russian markets has left the country's economy in a very harsh situation, leading the Georgian authorities to consider leaving the CIS<sup>20</sup>. Relations with Moscow have grown tense and Tbilisi has tried to balance Russian upper-hand with the internationalization of these crises, calling upon the regional and international contacts it has gathered. Links to Black Sea countries are particularly intensive, as Ukraine and Moldova have been targeted with similar situations of boycott and energy suspension, and also shares the common problem of internal secessionist conflict, in Transdnistria. A rationale has been found to base cooperation upon: keeping Russia away and guaranteeing that the EU, and especially the US, are kept close.<sup>21</sup> Another example is the "New Group of Friends of Georgia", comprising Lithuania, Estonia, Latvia, Bulgaria, Romania and Poland, created in early 2005 with the objective to help Georgia in its reforms towards an easier integration in

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<sup>18</sup> For a discussion on the revolutionary nature of events in Georgia see Nodia, Ghia (2005) "The dynamics and sustainability of the Rose Revolution" in Emerson, Michael (ed.) *Democratisation in the European Neighbourhood*, Brussels: CEPS, pp. 38- 52.

<sup>19</sup> Monitoring processes of the democratic process in Georgia have shown some worrying trends related to exclusive elite driven processes, lack of independent media, disrespect for Human Rights and fundamental liberties, lack of rule of law guarantees, among others. See IDEA report (2005) "Building Democracy in Georgia. Agenda for debate" May, p 9-15.

<sup>20</sup> See "Georgia Near Exit From CIS" *Eurasia Daily Monitor*, May 11, 2006.

<sup>21</sup> Ukraine has maintained close relations with the south Caucasus countries since independence, looking for a position of regional leadership that could help assure strategic distance from Moscow while stabilizing and bringing new dynamism to the Black Sea region. See Kutelia (2001), op. cit., pp. 82-3.

the Euro-Atlantic structures, and to stabilize the south Caucasus and consequently the eastern shores of the Black Sea.<sup>22</sup>

Since 2004, Georgia, Armenia and Azerbaijan were included in the ENP, the EU appointed a Special Representative for the South Caucasus, and a Special Mission on Rule of Law was launched by the Council to help Georgia in its reforms. Mediation efforts to break the frozen status of the conflicts in the south Caucasus have been made, although very little has change in terms of a peaceful resolution, and the completion of the Baku-Tbilisi-Ceyhan (BTC) pipeline allowed the south Caucasian countries to guarantee some leverage towards Russia's dominance in the energy realm. This, along with the powerful input of international assistance and political support, has made Georgia an example, followed by the Ukraine, helping them to gather important support from their neighbours of the Black Sea. It is, therefore, not surprising that Georgian leadership has voiced its desire to pursue greater cooperation with western institutions through regional structures based on the Black Sea, than with the South Caucasus. The ENP has proved to be too narrow in its regionalized approach to grasp all the dynamics influencing events in the region of the Great Black Sea, and unable to design solutions needed on both shores. The insistence on dealing with all three countries of the south Caucasus at the same time and at the same pace reveals the limits of the differentiation approach structuring ENP, and the lack of recognition that dynamics in Ukraine and Moldova can have as deep impact in Georgia as can changes in Armenia or Azerbaijan.

Georgia's participation in regional forums based or linked to the Black Sea has been an important impetus for reform and stabilization: the Bulgarian and Romanian neighbours have taken this opportunity to present themselves as spearheads for the EU in the region, and together with the Baltics have used their experiences and their influence in favour of an engagement of the international community in the problems affecting the south Caucasus, and by proxy, all of the Black Sea region; Turkey has served as an important investor and an alternative to Russia (although relations with Armenia are still problematic, there has been an effort to find a solution that will allow commercial and economic relations to be developed); Ukraine and Moldova having a closer border to the EU, and sharing similar patterns of problems as Georgia, are an important link between the south Caucasus and Brussels.

In this state of affairs, Georgia seems to have the important challenge to design strategies of development that can guarantee full use of the instruments made available by the EU, NATO, and the regional organisations it takes part in, and guarantee the most appropriate course of action towards peaceful resolution of the conflicts, economic and political stability, social cohesion and security in all its national territory. As for Armenia and Azerbaijan, the main question is the Nagorno-Karabakh conflict, and until some kind of solution is found to allow for peaceful coexistence, Armenia will suffer the effects of boycott and closed borders, exile of the diaspora and international political isolation. Azerbaijan has a more open set of choices ahead: important energy resources have made a central actor in the Eurasian energy corridor, and has allowed Baku to pursue an international balanced policy.

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<sup>22</sup> "New Group Of Georgia's Friends Founded" *Eurasia Daily Monitor*, February 7, 2005. Degutis, Ricardas (2006) *Personal interview with Lithuanian ambassador to Georgia*, Lithuanian Embassy, Tbilisi, May 5<sup>th</sup>.



Recent events in Ukraine, have added new elements to the changing dynamics that have characterized the region since 2003. After a period of enthusiasm over democratic revolutions and regional transformation, Ukraine, which has been a major regional leader, is living a moment of complex decisions. As Viktor Yanukovych's Party of the Regions was the second most voted for parliamentary elections, President Yushchenko was forced to compromise in order to form a government, and guarantee political viability of the country, on what some analysts consider being, paradoxically, the most democratic choice for Ukraine<sup>23</sup>. This new context will put Kyiv towards a rapprochement with Moscow, but to what extent might this compromise the Euro-Atlantic option taken by Kyiv is not clear. The first evidence suggests that it will not be so, leaving the democratic trends felt in the Black Sea area unchanged. However, the type of leadership Ukraine chooses to exert on its neighbors should clearly be based on European values promotion of rule of law, and respect for Human Rights, ensuring economic growth, developing and strengthening individual national capacities for democratic consolidation, supported by regional institutions, with cross border cooperation and energy network development, and solving frozen conflicts. Abandoning a post-Soviet posture and setting an example for neighbors to follow will legitimize its role in the region and legitimize its role as a leader for countries like Georgia in its path towards Euro-Atlantic integration<sup>24</sup>. Surely, personal relations between Presidents in Kyiv and Tbilisi have done well for democracy in the Great Black Sea, but it sets a concerning trend that must now be replaced by transnational ties linking societies, and economies, advancing European like values to East, not just its rhetoric. Georgia will be central to guarantee that the south Caucasus is set towards Euro-Atlantic integration, and will not repeat patterns of authoritarianism, repression, and conflict of the past.

## Conclusion

The geopolitical situation of the Black Sea is one of the most complex challenges of the enlarged EU, now that the Balkans are stabilized. The EU has been, however, reluctant to develop a full Eastern dimension similar to the Northern one, something the countries from the Black Sea and the southeast Europe have strived for. This situation has led to important developments, namely the emergence of regional leaders capable of promoting regional integration, as Turkey has done with BSEC, and Ukraine is trying to do with GUAM/ODED group, or the most recent Community of Democratic Choice. However, recent experience shows clearly that the impulse given by NATO cooperation and the prospect of enhanced relations with the EU is the most important fact driving regional relations in the Black Sea and a major change impulse at home. Sharing common values of Democracy, Human Rights, and liberal economy, the Euro-Atlantic structures represent two sides to the same coin, and can not be pursued separately. It is therefore safe to say that as long as expectations are met at a satisfying level, political leaderships in the Black sea and south Caucasus will find support in Brussels and Washington for transition.

ENP has raised questions related to its attraction capacity, once the membership prospect is not immediate. Time is proving this idea to be false. Most neighbours have sought this opportunity to develop closer relations with the EU despite an uncertain

<sup>23</sup> See "Uniting Ukraine": A Hard Sell For The Yushchenko-Yanukovych Coalition" *Eurasia Daily Monitor*, Vol.3(155) August 10, 2006.

<sup>24</sup> Sushko, Oleksandr (2005) "Ukraine's search for a regional foreign policy: one year after the Orange revolution", *PONARS Policy Memo*, N.º 377, pp. 65- 70.

future, and those more reluctant to accept EU's conditions are slowly starting to realise they have more to lose than to gain from insisting on the membership issue.<sup>25</sup> Brussels has already eased its position acknowledging that ENP does not exclude membership at a later stage, although is not designed to prepare countries for that. The political involvement of the EU in the energy crisis between Ukraine and Georgia and Russia, and the renewal of the mandate of the Special Representative for the south Caucasus, show that the EU is ready to influence events in the region to some point. However, without a defined strategy to deal with Russia, central to all the questions affecting the Eastern border of the Union, EU member states will continue to pursue the kind of policies that favour their immediate interests, influencing the way relations are built between the EU and the countries in the region, through strong bilateral ties. Germany, the United Kingdom, France, the Baltic countries or the new member states from Central Europe, all have different relations with the Black Sea region, as well as different levels of influence inside the EU. Therefore it is not clear where the general tendency will lay, especially at a time where the crisis in the Middle East has pulled the spotlights away from the Black Sea and the Caucasus.

Answering the question "Can Georgia bridge the gap between the Black Sea and the south Caucasus?", we can say that Georgia is well positioned to be, once again a success story and an example either for the Caucasus and the Black Sea, taking advantage of the opportunities created by the Rose revolution, ENP and the strategic importance of the Caucasus both in the global war against terrorism and the guarantee of access to strategic energy reserves of the Caspian. Major obstacles to this scenario can be found in the undemocratic shape of domestic Georgian politics and growing discontent, lack of results on conflict settlement, and unwillingness of the EU to get more politically involved in what Russia sees as its "backyard", helping these countries to overcome the difficulties inherent to the transition. In this regard, how the EU deals with Russian assertiveness in Eurasia is crucial: should it decide not to oppose Russian interests it will be perceived as not giving the necessary security conditions for its neighbours' development; if it is not able to design a new strategy to deal with Moscow in a constructive relationship, devising medium and long term options that take into consideration European needs and objectives as well as Russian and those of the neighbours, its wish to be seen as an actor of global capacity will be put into question. However, in the end, the onus is placed on domestic constituencies in the southern Caucasus and Black Sea region countries to take the correct decisions.

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# The Reform in the Turkish Natural Gas Market: A Critical Evaluation

Tamer ÇETİN\*, Fuat OĞUZ\*

**Abstract:** Turkey is in a strategically advantageous position in terms of its natural gas market. Being in the middle of Europe and energy-rich countries of Central Asia, it can be an energy corridor between these two ends. It can import gas from a number of countries and diversify its sources. This situation may also provide motivation for a competitive gas market. The recent reform in the market, which began in 2001, was an attempt to strengthen the natural gas market to this end. However, the reform has not worked out as expected so far. We focus on the legal structure and economic consequences of the legal change within the international economic relations.

**Keywords:** Turkey; Natural Gas Market; Energy Policy; Regulation

## 1. Introduction

Turkey is in a strategically advantageous position in terms of its natural gas market. Being in the middle of Europe and the energy-rich countries of Central Asia, it can be an energy corridor between these two ends. It can import gas from a number of countries and diversify its sources. This situation may also provide motivation for a competitive gas market. The recent reforms in the market, which began in 2001, was an attempt to strengthen the natural gas market to this end. However, the reforms have not worked out as expected so far.

A recent case in point is the gas crisis in the early days of 2006. Ukraine and Iran reduced gas exports to Turkey.<sup>26</sup> This unexpected supply shortage gave signals about the weakness of the industry and raised questions about the sustainability of the current system. The reasons behind this relatively small incidence offer some clues about the institutional problems of the industry. To begin with, Turkey's natural gas consumption depends heavily on importation. Second, Turkey does not have adequate natural gas storage capacity, and natural gas wellheads are in short supply. Third, natural gas purchase contracts have been signed in accordance with base annual purchase. Exporter countries can deliver the contracted gas any time within the year. The contracts have not taken into consideration the fluctuations that would occur within the year. These three reasons were the major factors behind the 2006 crisis, and created a frail market environment. In addition to institutional factors, the market structure makes things worse. BOTAS, the state owned company, has a monopoly on import, transmission and distribution segments of the market. These problems leave the market

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\* Faculty of Economics and Administrative Sciences, Department of Economics, Uludag University, Gorukle Kampusu, 16059, Bursa, Turkey. Tel.: +90-224-4428940-41273; Fax: +90-224-4428949 [tcetin75@yahoo.com](mailto:tcetin75@yahoo.com)

\* Visiting Scholar, New York University

<sup>26</sup> Iran defended the cut in supply on the basis of technical problems and a heavy winter. The contract with Iran sets a limit for annual importation. It does not require a steady flow of gas throughout the year. Political reasons also had some role in Iran's behavior. To a lesser extent, Ukraine's political troubles with Russia intensified the shortage. During the crisis with Russia, Ukraine used some of the gas it transports to Turkey.

vulnerable to any external shocks and limit the success of the restructuring effort. Even small changes in supply structure may generate larger effects in the market.<sup>27</sup>

The literature on Turkey's natural gas market and its reform is too small, with the exception of recent IEA and OECD studies. There is almost no study of the Turkish natural gas market. It is usually discussed within the context of energy markets. The lack of extensive discussions of the above mentioned issues and the market structure is the driving force of this paper. Our goal is to provide a general picture of market reform and draw attention to inherent problems of the industry.

The paper's structure is as follows. In the next section, we focus on the political economy of the natural gas market with an emphasis on international economic relations. Then, we turn to the reform of the market and critically discuss the restructuring effort. In the last section, we briefly address regulatory issues and potential conflicts.

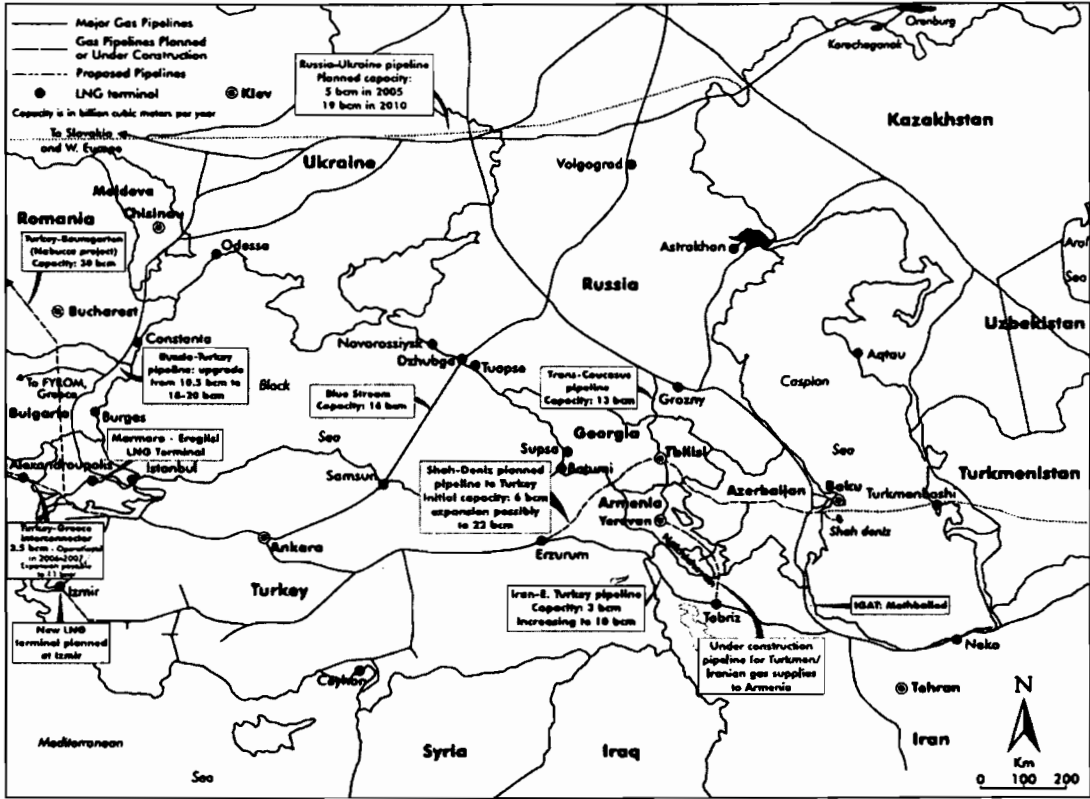
## **2. Political Economy of Turkey's Natural Gas Industry**

Turkey strives to be the Eurasia Energy Corridor between eastern supply and western demand. It is expected that the world's biggest natural gas investments will be made in Turkey in the next two decades (Kiliç, 2006; Tunc et al., 2006). It has a natural connection because of its strategic location between European markets and Central Asian and Middle Eastern countries, as is shown in Figure 1. European countries spend 300 billion dollars each year for energy imports and almost three quarters of the global gas reserves are in the Caspian region, Middle East and Russia. In the next two decades, the European demand is expected to increase from 472 billion cubes meter (bcm) to 786 bcm (IEA, 2005b). Quite naturally, Turkey tries to be part of the link between increasing demand and supply. It tries to develop new gas supply routes, increase co-operation among the neighboring countries and press on the integration of Turkish and European natural gas markets. The integration to the EU market is expected to bring resource diversity, supply security, and incentives for a competitive market.

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<sup>27</sup> Any service disruption in natural gas supply affects the electricity supply as well, because of the dependency of electricity on gas. On the relationship between electricity and gas markets see Oguz and Cetin (2005) and Ozkivrak (2005).

Fig. 1. A Natural Gas Map for the Region (IEA, 2005b).



Turkey's plans to be the Energy Corridor fit well with the geopolitical structure of the region. Security considerations make Anatolia an ideal ground for natural gas pipelines. The recent regulatory reform in the industry opens the door for a competitive market structure in the future (Correlje and Linde, 2006).

The struggle to dominate the Caspian region gas resources brings in old political tensions in a new cloak. Countries in the region and the United States try to gain a greater share in gas reserves.<sup>28</sup> The struggle over alternative routes of gas pipelines creates intense tensions between countries. The United States, Turkey, Georgia and Azerbaijan favor the route that passes through Anatolia, bypassing Iran and Russia (Alam, 2002). Turkey and the United States are strategic partners, having compatible goals in the region. Azerbaijan also supports Turkey for cultural and political reasons. To the same end, Georgia sees Turkey as a vital partner in its efforts to join European Union and NATO. However, Turkey is dependent on Russian gas. Russia supplies 66 % of Turkey's natural gas. Gazprom, the Russian state owned gas company, has recently acquired 40 % of Bosphorus Gas, a distribution company in Turkey, and plans to be more active in the Turkish market as in other European markets (IEA, 2005a: 112).

Another option is to transport natural gas via the Bosphorus. However, safety, security and environmental considerations weaken the feasibility of this alternative. Turkey defies this route because of the congestion in straits. Baku-Tblisi-Ceyhan and the Blue Stream pipelines find more support from Turkish politicians and bureaucrats

<sup>28</sup> Lutz Klevevan (2004), provocatively, calls this as the new great game with reference to the 19th century imperial struggles between Great Britain and Russia. Rising energy prices, vast natural gas resources and political instability are dominant variables of the current strategic game in the region.

(Yukseket al., 2005). Eventually, the political preferences of the countries in the region will determine the direction of economic stability in the Turkish natural gas market.

Turkey's aspiration to be the Eurasia Energy Corridor is better understood by looking into other related projects. Turkey's three main cross-border gas pipeline projects are;

Turkey-Greece Natural Gas Pipeline Project,

Turkey-Bulgaria-Romania-Hungary-Austria Natural Gas Pipeline (Nabucco) Project,

South Caucasus Pipeline (SCP) project.

The Turkey-Greece Natural Gas Pipeline Project was initiated to meet the European gas demand. Turkey signed a \$300 million deal with Greece to extend an Iranian natural gas pipeline to Greece in March 2002. Later, Italian EDISON-GAS, BOTAS and DEPA (Greek Gas Company) signed an agreement. They applied for the funding from the EU TEN Programme, following the pre-feasibility report phase. EU granted necessary funds for the Italy interconnection in July 2003. Consequently, the Inter connector Turkey-Greece Project became the Inter connector Turkey-Greece-Italy (Kiliç, 2006) and natural gas is expected to flow in 2008 (EMRA, 2004).

Another important project, the Shah Deniz pipeline project, will connect the Central Asian natural gas resources to the Turkish grid. This was signed to transport Azerbaijan gas to Turkey as a purchase and sales agreement in 2001, with expected gas deliveries in 2006 and completion by 2012<sup>29</sup>. This project is considered as the first significant step of Caspian-Europe natural gas supplies.

Table 1. Turkey's Natural Gas Purchase Projects (2006), BOTAS, [www.botas.gov.tr](http://www.botas.gov.tr).

Existing Contracts	Amount (Plato) (Bcm/year)	Sign Date	Year	Operation
Russian Federation (West)	6	14 February 1986	25	Working
Algeria (LNG)	4	14 April 1988	20	Working
Nigeria (LNG)	1.2	9 November 1995	22	Working
Iran	10	8 August 1996	25	Working
Russian Federation (Black Sea)	16	15 December 1997	25	Working
Russian Federation (West)	8	18 February 1998	23	Working

Current contracts and projects remain short of satisfying Turkey's demand, not to mention any transportation to Europe. Supply shortages prompted Turkey to undertake new projects. Among these new contracts are TransCaspian Turkmenistan-Turkey-Europe Natural Gas Pipeline Project, Azerbaijan Natural Gas Pipeline Project, Iraq-Turkey Natural Gas Pipeline Project, and Egypt-Turkey Natural Gas Pipeline Project (BOTAS, 2004).<sup>30</sup>

<sup>29</sup> <http://www.tpao.gov.tr/rprte2/ydpg.htm>, (06.02.2006).

<sup>30</sup> Egypt-Turkey project has started with the contract in February 2006. Gas delivery is expected to start in 2008. MENR sees this project as an important step toward supply diversity.



### 3. Regulation of the Turkish Natural Gas Market

Turkish natural gas industry was state owned and vertically integrated through 1980s and 1990s. As a part of energy markets restructuring<sup>31</sup>, the legal structure of the natural gas market was reformed in 2001 with a new law.<sup>32</sup> The new law was a first step toward gradual liberalization and vertical separation in the market.

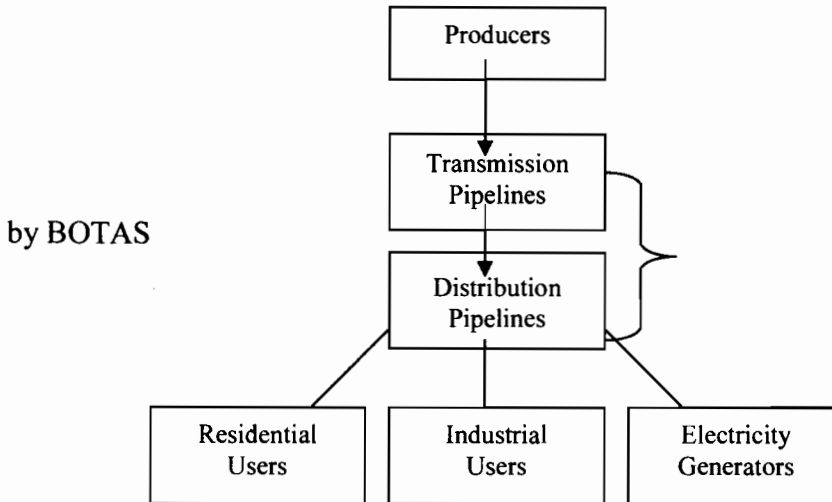
#### 3.1 Industry Structure before the New Law and the Reasons for Restructuring

Public utilities were state enterprises in Turkey until 1990s. Fiscal crises, inadequate investments, poor quality of service, negative effects of rent seeking, and external pressures pushed the regulatory reform in the last decade (Oguz and Cetin, 2005; Mazzanti ve Biancardi, 2005; OECD, 2002). The same forces also played a crucial role in reforming the natural gas market.

Turkey's natural gas consumption has increased rapidly for the last two decades. Economic growth and increasing use of natural gas in electricity, agriculture and household have kept demand soaring. However, gas production and distribution could not keep up with the increasing demand. At present, Turkey's gas production covers only 3.8 % of the consumption, because of very limited indigenous resources (Tunc et al., 2006: 51).

BOTAS, which was founded to transport Iraq's crude oil in 1974, dominates the natural gas market. In 1987, the duties and responsibilities of BOTAS were expanded to include natural gas transportation and trade activities. It was granted monopoly rights on natural gas import, distribution, sales and pricing in 1990.<sup>33</sup> As a state owned company, it controlled transmission and distribution as well.

Fig. 2. The Industry Structure before the New Law



<sup>31</sup> Modern literature on regulation, with the motto of 'competition where feasible, regulation where not', suggests that regulation should be confined to natural monopoly elements of networks and competition should be the norm for the rest (Joskow, 2005; Newbery, 2002; Crew and Kleindorfer, 1999).

<sup>32</sup> Law no.4646, d. 02.05.2001

<sup>33</sup> Decree no. 397, d. 09.02.1990.

In 1995, BOTAS, which was formerly under the control of TPAO, was restructured as an independent State Owned Enterprise because of increasing natural gas operations. Its activities related to the natural gas were expanded as follows;<sup>34</sup>

to accomplish drilling, production, transportation, storage, and refining of imported gas,

to construct natural gas pipelines,

to acquire or lease existing pipelines,

to transport natural gas via the pipelines,

to buy and sell natural gas transported in the pipelines (BOTAS, 2004).

BOTAS has continued its dominant role in the market, which is one of the institutional factors that limited the role of competition and created incentives for reform. BOTAS's inability to expand the service to households and establish a healthy market environment was another indicator of the necessity of the reform.

Another reason for the restructuring is the absence of underground gas storage facilities. The lack of reserves for balancing fluctuations and emergencies reinforces non-competitive forces in the industry. The above-mentioned shortage in the early days of 2006 reveals potential consequences of a fragile market structure without adequate reserves. For institutional and security concerns, Turkey needs to build a sufficient gas storage and diversify its suppliers. Under BOTAS's control, neither goal has been attained.

### **3.2. The New Law and the Changing Structure of the Industry**

The key factors in the restructuring of natural gas market are the Natural Gas Market Law (NGML), Energy Market Regulatory Authority (EMRA) and the direction of the market after restructuring. NGML's aim is the 'liberalization' of the natural gas market. This definition is slightly different from the electricity market law, which emphasizes private law and competition.

#### **3.2.1. NGML**

NGML, enacted in 2001, is the main regulatory statute of the natural gas market. The new legal environment is projected to encourage privatizations, establish a more competitive environment and prepare the ground for the integration to the EU natural gas market by harmonizing regulations.

As in the case of electricity, NGML authorizes EMRA as the independent regulator.<sup>35</sup> Companies are required to obtain licenses from EMRA for transmission, export, import, wholesale, distribution and storage activities. Licenses are granted for a minimum 10 and maximum 30 years.

EMRA applies an incentive-based rate of return formulation in licenses and sets single prices for storage, transmission, distribution, wholesale and retail facilities. These licenses also include inflation adjustments for prices. EMRA evaluates tariffs,

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<sup>34</sup> Decree of Council of Ministers, No. 95/6526

<sup>35</sup> See Oguz and Cetin (2005) and Ozkivrak (2005) for general discussions of the electricity market reform in Turkey.

efficiency, and safety of facilities regularly. Thus, NGML provides the legal ground for supply security and 'fair' rates of return for companies.

NGML unbundles the market and sets up the legal ground for privatizations. Privatizations began with city distribution and storage facilities in Adapazari, Bursa and Eskisehir regions.<sup>36</sup> Others are expected to follow (IEA, 2005a: 99). The law requires the vertical disintegration of BOTAS after 2009. Then, BOTAS will sell 10% of its share on gas import contracts to private companies in order to reinforce competition. The law limits the amount of an importer company can buy from abroad to 20% of the national consumption. Similarly, importers, wholesalers and distributors cannot have market shares more than 20% to ensure that competition will be institutionalized. Distribution companies cannot buy more than half of their gas from a single wholesaler or importer. The law gives discretion to EMRA to change these ratios. National market shares also limited to the same ratio.

In addition, transmission and storage companies cannot discriminate among their customers, given the availability of capacity and absence of financial risks related to contracts. The law also gives the right to build storage facilities to third parties.

### **3.2.2. EMRA**

EMRA was initially established in 2001 in accordance with the Electricity Market Law, No.4628, on 03.03.2001 as Electricity Market Regulatory Authority. The authority's name became Energy Market Regulatory Authority with NGML. EMRA is administratively independent and financially autonomous.<sup>37</sup> While it is administratively related to MENR, it is independent in its authority over the market.<sup>38</sup> Its budget is outside the consolidated state budget and not under the supervision of the Higher Court of Accounts, Sayistay. The major source of its income is the fees it collects from the industry.

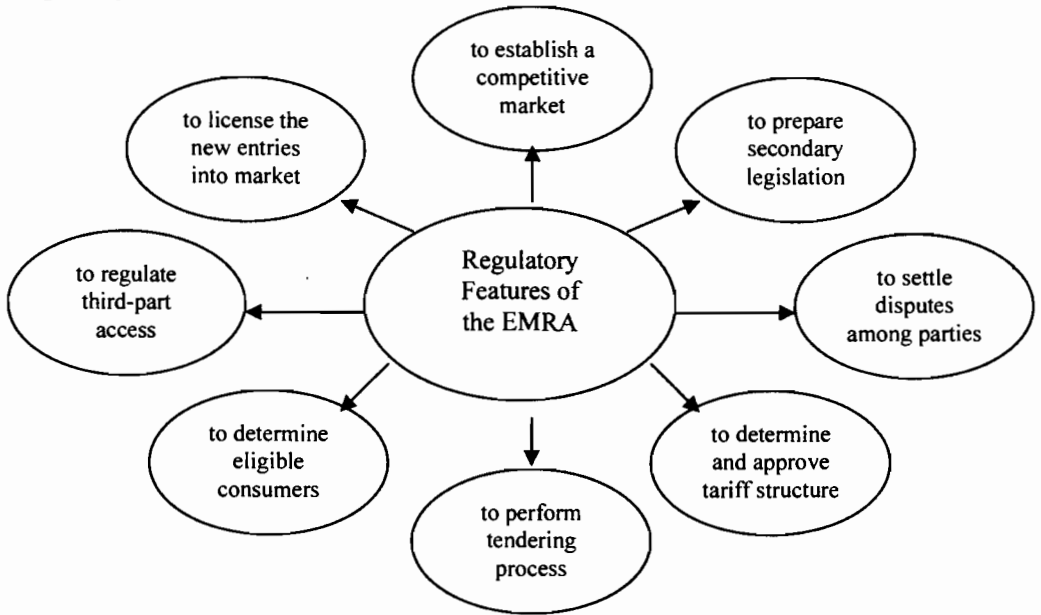
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<sup>36</sup> The choice of distribution as the first step toward full privatization may reflect both economic and political preferences. On the one hand, as in electricity, distribution segment is crucial for the efficient working of other segments. On the other hand, the nature of the distribution segment brings about suspicions about potential public choice issues, even though there is not any empirical data to test this hypothesis.

<sup>37</sup> In 2003 the regulatory responsibilities of EMRA was expanded to include the petroleum market with Law no. 5015.

<sup>38</sup> However, the recent Higher Planning Council Decision on electricity turned over some of the rights and responsibilities of EMRA to the Ministry (Oguz and Cetin, 2005).

Fig. 3. Regulatory Features of the EMRA



As shown in figure 3, the regulatory features of the EMRA related to natural gas market are;

to determine and publish secondary legislation and the opinion and suggestions of the Authority with regard to the plans, policies and applications regarding natural gas market activities,

to ensure the performance of the duties of the Authority for execution of the rights and obligations arising from the international agreements regarding the natural gas market activities,

to approve all regulations related to the natural gas market activities, on which the Authority has been authorized as per the provisions of the Natural Gas Market Law, and to ensure the execution thereof,

to enforce regulated third party access, to determine eligible customers over time,

to take, implement and oversee all kinds of decisions regarding issue of licenses and certificates as provided in the Natural Gas Market Law as well as the compliance with and termination of such licenses and certificates,

to organize tendering process for natural gas distribution licenses of the cities,

to regulate procedures and principles regarding the formation of tariff and price structures in transmission and distribution facilities where competition is non existent or insufficient,

to approve the tariffs regarding the activities indicated in the Natural Gas Market Law or to decide on tariff revisions,

to decide on filing applications with any legal or administrative authority for purposes including litigation and enforcement of any penalty or sanction as part of the Board's authority to supervise, carry out preliminary investigations and inquiries concerning the natural gas market operations,

to settle the disputes among legal entities or between legal entities and consumers arising from the implementation of Natural Gas Market Law (EMRA, 2004; Atiyas and Dutz, 2005).

The main responsibility of EMRA concerning the market is to set up and implement regulations to ensure the establishment of a competitive natural gas market where all market segments will be open to new entrants. For this reason, BOTAS's activities have also been regulated or controlled by EMRA until BOTAS's market share in import decreases 20% in 2009.

EMRA regulates and approves transmission, storage and wholesale tariffs, and all retail tariffs, until competition is well established.<sup>39</sup> The secondary legislation has been issued, including regulations for licenses, tariffs, internal installations, market certificates, transmission network operation, distribution and consumer services and facilities.

EMRA is responsible for organizing tenders for natural gas distribution licenses in cities. The tender process was carried out in 17 cities in 2003 and in almost 20 cities in 2004 (IEA, 2005a). As of 2006, EMRA issued 13 transmission, 33 distribution, and 13 wholesale licenses.

EMRA is responsible for solving disputes of access to the transmission and distribution system and approving investment plans by transmission and distribution companies. In 2004, 64 complaints were received regarding the natural gas market. These include 30 complaints on access demand and issues arising from contracts, 9 on meters, 14 on tariffs, 3 on invoices and 8 on amendments made in the legislation. 53 complaints have been concluded in the same year (EMRA, 2004). It also has responsibility for certain<sup>40</sup> safety regulations, including construction and services of gas facilities. EMRA is also responsible to monitor that prices reflect costs of investment. Companies calculate rates based on future cost projections. Turkey has preferred uniform-ceiling rates and a 'fair' rate of return. Uniform-ceiling pricing is an attempt to close the difference between household and industrial use, even if it does not eliminate cross-subsidies fully. Gas prices for industrial consumers are above the average in comparison to other IEA member countries. On the other hand, household prices are below the average. In the past ten years, price increases were reflected mostly on industrial consumers rather than residential consumers, as a political choice. EMRA, as in the case of electricity, tries to introduce cost-based pricing into the market.

### **3.2.3. The New Structure of the Market**

The current regulatory reform will change the market structure substantially in the long term. To this end, NGML unbundles the market vertically under different ownerships by separating BOTAS into companies in transmission, trading, and storage facilities after 2009. NGML repeals BOTAS's monopoly rights over imports, distribution, storage and the sale of natural gas. The adaptation of the economic structure to the legal form will be gradual. During the transition period, BOTAS is required to transfer the discretions on the import facilities and contracts to private sector

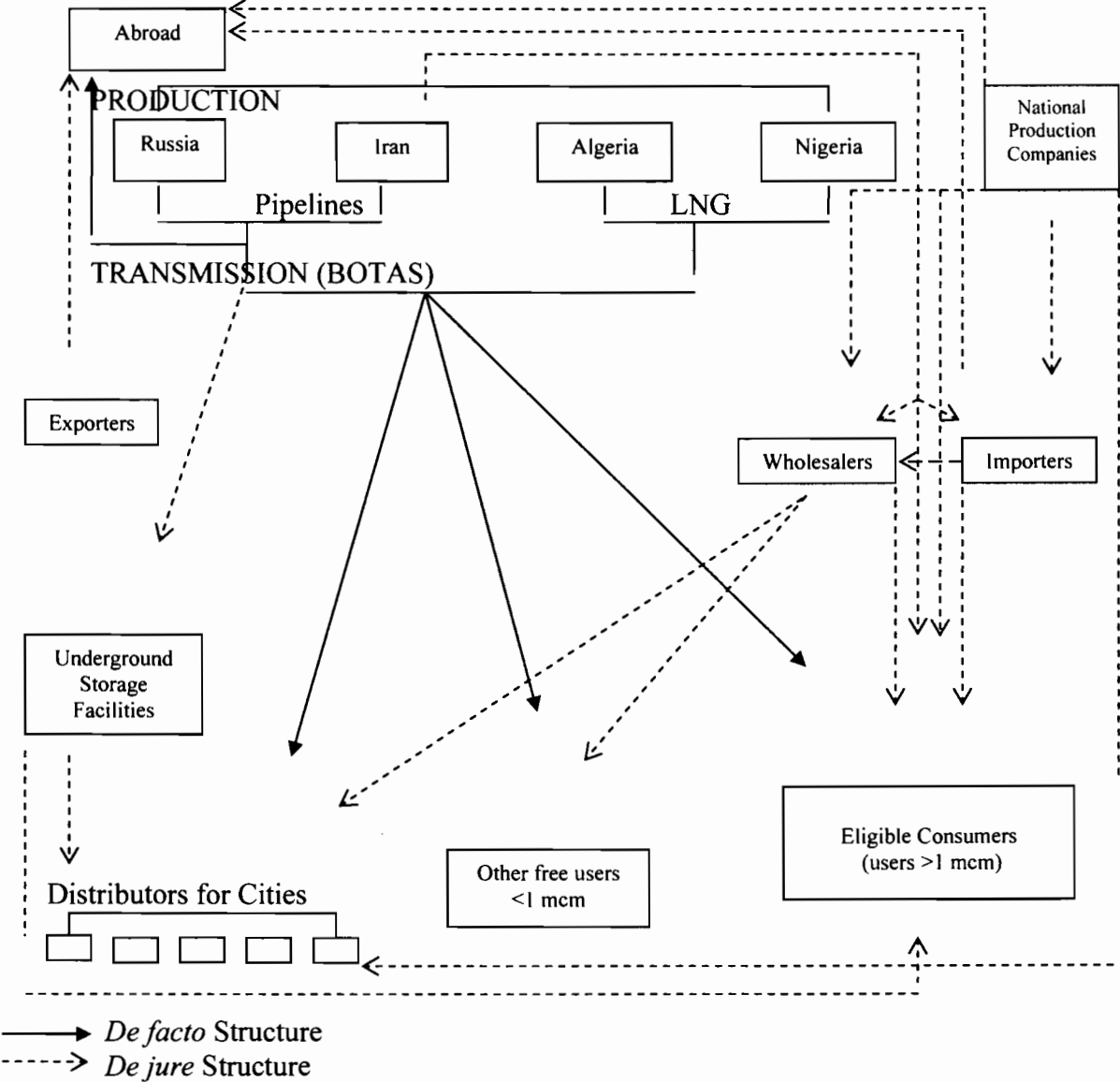
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<sup>39</sup> Apparently, there is no measure or timetable to determine whether competition is 'well' established. EMRA, as a bureaucratic entity, is a candidate to be an impediment to its own goals.

<sup>40</sup> Other government bodies, including the Ministry of Industry and Commerce, have also some regulatory power of social regulations in the industry.

participants so as to reduce its market share to 20 percent. Each year, BOTAS is required to transfer at least 10% of its total share in contracts to private parties. Figure 4 offers an outline of the new market structure.

Fig. 4. The New Structure of the Industry



**Production**

The Petroleum Law, No.6326, regulates natural gas exploration and production activities. According to this law, the General Directorate of Petroleum Affairs grants exploration and operating licences. Production activity is not deemed as a market activity. EMRA does not have authority over exploration activities.<sup>41</sup>

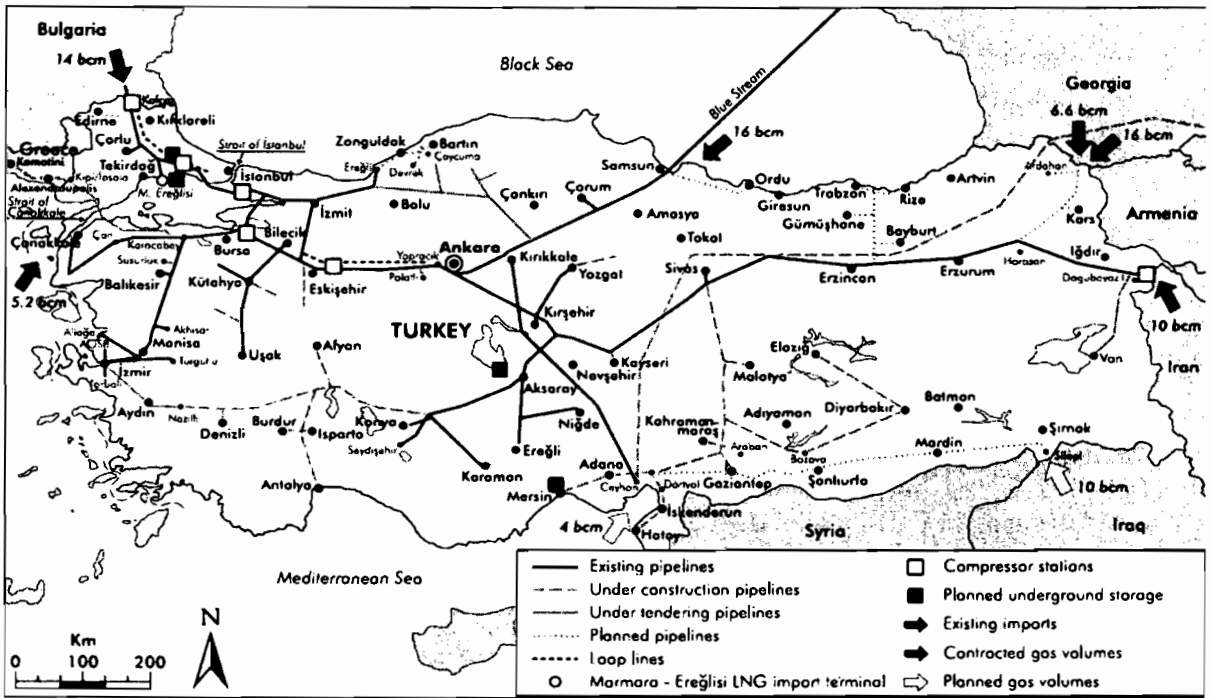
<sup>41</sup>Leaving exploration and generation outside the jurisdiction of EMRA, because of legal and technical difficulties, might be a problem in establishing a competitive market in natural gas, even though it is too early to see the direction of the market at this stage.

Limited amount of reserves hold back the development of production capacity in Turkey. Important producers are TPAO, Thrace Basin and Amity Oil. Producers can sell produced gas to importers, wholesalers, distributors or free consumers by getting wholesaler license. Producers can sell 20 percent of their annual production to free consumers directly. They have to sell the rest through importers, distributors or wholesalers. They can also export the gas with an exporter license.

### Transmission

Third party access to transmission grid is a crucial element of institutionalizing competition in the natural gas market. According to NGML, the transmission company is obliged to connect demanding legal users to the ‘most appropriate’ grid in one year.<sup>42</sup> EMRA has the dispute resolution authority with respect to transmission issues. The transmission company makes transportation contracts with importers, wholesalers, producers and exporters. It also enters into delivery contracts with producers, free consumers, storage companies, and other transmission companies.

Fig. 5. Turkey’s Natural Gas Infrastructure (IEA, 2005a).



Existing, planned and under construction parts of the national transmission grid remain under BOTAS ownership. Existing natural gas pipelines and related facilities are given in figure 5. They are as follows (BOTAS, 2004):

- Russian Federation-Turkey Natural Gas (NG) Main Transmission Line,
- Izmit-Karadeniz Ereğli NG Transmission Line,

<sup>42</sup> The phrase of ‘most appropriate network’ may create legal hurdles in the future. Who will decide which one is the most appropriate network? EMRA has the responsibility and authority disputes about networks. Yet, conflicts of interests may shift parties to legal competition, rather than market competition. What will happen if they think that they are intentionally connected to higher cost networks, as a result of discrimination?

Bursa-Çan NG Transmission Line,  
Çan-Çanakkale NG Transmission Line,  
Eastern Anatolia NG Main Transmission Line,  
Karacabey-Izmir NG Transmission Line,  
Samsun-Ankara NG Transmission Line,

#### *Distribution*

Distribution companies can sell natural gas to cities by purchasing it from BOTAS. BOTAS's existing monopoly in the market does not let distribution companies purchase the gas from competitive producers, wholesalers or importers, even though they have *de jure* right to do so according to NGML. Current conditions force other companies to import gas from countries that BOTAS does not import. Distribution companies can only serve at most two cities with a license, under the discretion of EMRA.

There are eleven distribution lines in Turkey. These are;

Bilecik-Kütahya-Uşak Distribution Line (Phase 1),  
İzmir/Kemalpaşa OSB- Pınarbaşı - Torbalı-Turgutlu Distribution Line (Phase 2),  
İzmir-Aliağa-Atatürk OSB Distribution Line (Phase 3),  
Kırıkkale-Kırşehir-Yozgat-Polatlı Distribution Line (Phase 4),  
Konya/Ereğli-Aksaray-Niğde Distribution Line (Phase 5),  
Konya-Karaman/Kazım Karabekir-Konya OSB Distribution Line (Phase 6),  
Manisa OSB-Akhisar-Balıkesir-Susurluk Distribution Line (Phase 7),  
Kayseri-Sivas Distribution Line (Phase 8),  
Çorum-Samsun Distribution Line (Phase 9),  
Adapazarı Earthquake Mass Housings Distribution Line (Phase 10) and  
Çorlu-Dericiler OSB Distribution Line.

Tendering process for these distribution lines was completed and the agreements were signed. Construction work on these distribution lines was completed and began to supply natural gas by the end of 2003 (BOTAS, 2004).

At present, eight cities use natural gas for both households and industry and 18 cities use it only for industry<sup>43</sup>. BOTAS projects to reach all cities by the end of 2008.<sup>44</sup>

#### Import and Export

Importer companies have the right to sell natural gas to wholesale market, free consumers, or exporters. Annual natural gas imported by each import company cannot exceed 20% of the national gas consumption projection of that year. Companies that

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<sup>43</sup> The figures were taken from [www.epdk.gov.tr](http://www.epdk.gov.tr), (13.02.2006).

<sup>44</sup> However, there are some doubts about these figures. It seems that BOTAS's predictions are overly optimistic and emphasis to the fact that subsidies and below-cost pricing would have to be cancelled gradually during the process of liberalization of the energy sector (Mazzanti and Biancardi, 2005: 210).



take an import license can perform wholesale activity without a wholesaler license. Export companies can export the gas produced in the country or transported from abroad to international markets by using transmission pipelines and obtaining an exporter license.

### *Wholesale*

Wholesalers must satisfy regulations on storage capacity, transportation conditions and origins of buying. Wholesale companies can sign gas sale contracts with distributors, importers, exporters, and free users on market prices. Wholesale companies must take an import license for gas imports. Wholesale and import companies must store 10% of the imported gas in 5 years later the license date.

### *Eligible Consumers*

Eligible consumers, who consume more than 1 mcm gas annually, have the right to choose their own gas suppliers. At present, the gas market opening rate is 80 percent (EMRA, 2004). This rate is on average 78 percent for EU countries (Mazzanti and Biancardi, 2005). In this sense, Turkey meets European Community averages. EMRA has the right to allow the amount of eligible consumers to increase.

Even though they have the right to purchase natural gas from national and international producers, storage facilities, importers and wholesale companies, current market structure forces them to deal with BOTAS. They can bid for the tenders to be issued by BOTAS. Only after the tenders are realized will new suppliers be allowed to enter the market, and consumers will have the opportunity to change their suppliers (EMRA, 2004).

### *Storage*

Private storage facilities can *de jure* take licenses and sell natural gas to distribution companies and eligible consumers. However, Turkey does not have *de facto* storage facilities. Three projects of underground natural gas storage, Northern Marmara, Degirmenkoy, and Salt Lake, have started recently. The Northern Marmara and Degirmenkoy projects, constructed by TPAO, will be in operation in 2006. The construction of the third one, the Salt Lake project, is in the planning phase.

## **4. Issues related to Regulation of the Market**

Although NGML is enacted and the market opens to competition legally, BOTAS's dominant role in the market has not diminished, which makes the transition more painful. This monopoly power has delayed competitive trading in the market. Besides, the absence of an independent transmission system, which is a precondition of competitive natural gas market in accordance with the 2003 EU Gas Directive, has stalled competition.

Although eligible consumers, around 80% of the market, have the right to choose their suppliers, this competitive application cannot be implemented because of the cross-subsidies and the monopolistic position of BOTAS in import and trade. Flat prices or third-part access tariffs charged by BOTAS and distribution companies in the distribution and transmission grant monopoly power to the companies in their own areas.

BOTAS's transfer of some of its contracts to private parties is a good sign. However, it is politically motivated and there is no assurance that BOTAS will not change the course on legal or political grounds. The delay on import contracts is a good indicator of the slippery ground. A controversy over the details of contracts brought the process to a standstill because of the delay in the contract transfers by BOTAS in the first year.

These delays signal potential problems in the market. For example, importers, which undertake BOTAS's responsibilities through the tendering process, may have disputes with suppliers on price differences. These risks may easily turn into uncertainties about the institutional structure of the market and create artificial entry barriers.

In this context, what will be the roles of BOTAS and the government in the regulatory reform process in the coming years? Previous governments signed some of the contracts but BOTAS is responsible for the contract transfer program, which refers to the transfer of some of BOTAS's contracts to other market participants until BOTAS's market share falls to the legally defined levels. It is a necessity for the government to define its role in the negotiations of contract transfers. As IEA would suggest, the government may need to accelerate the process by rapidly implementing volume transfer (IEA, 2005a).

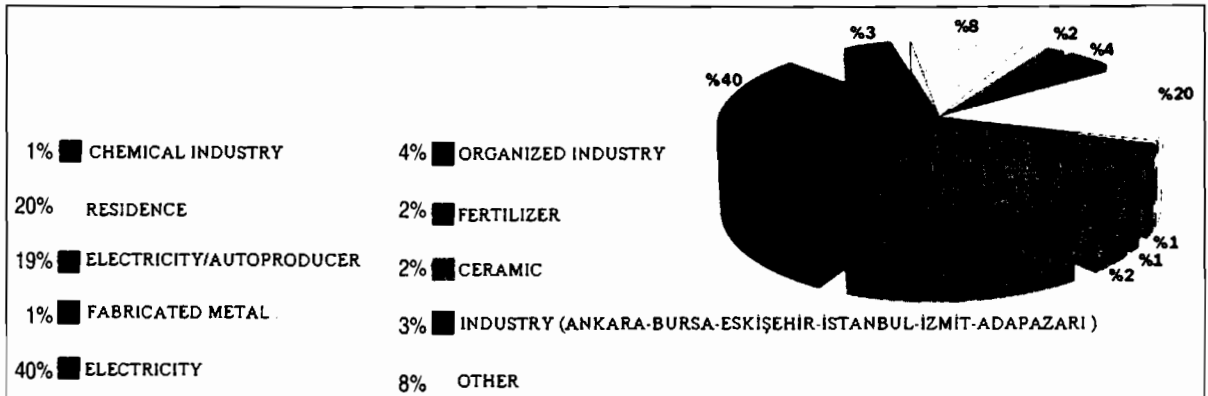
BOTAS's position in the market is also in conflict with the regulatory authority. EMRA has the authority and responsibility to set and monitor prices in the market. In reality, gas prices are determined by BOTAS through individual contracts. Apparently, EMRA does not have much control over these contracts in practice.<sup>45</sup> This situation limits the discretionary power and independence of the regulator on tariffs and increases the costs of transition to a more competitive market (Larsen et. al., 2005).

Another issue is the interdependence of natural gas and electricity markets. The success of natural gas restructuring bears upon the electricity market reforms in many ways. As seen in the figure 2, electricity generation from natural gas has reached 60% recently (Yılmaz ve Uslu, 2005). This dependency opens the door for more crises. The California electricity crisis is exemplary in this connection (Joskow and Kahn, 2002; Woo et al., forthcoming). In California, electric power generation depends on natural gas. At the time of the crisis, half of the electricity was produced with natural gas. During the crisis, there was a sharp increase in natural gas prices, which pushed electricity prices higher. While there are significant differences between Turkey and California in terms of political structure of the market, the dependence creates an 'unnecessary' risk for competition. Moreover, the Turkish electricity market is exposed to the irregularity in natural gas supply. As observed in early 2006, an interruption in gas supply is a real possibility. In such a case, the government would cut the gas of industrial users, co-generators and power plants. In the case of a more serious shortage, an electricity crisis is inevitable.

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<sup>45</sup> The natural gas market faces the same problem as the electricity market. Existing contracts limit the independence and authority of EMRA over the market (Cetin and Oguz, forthcoming). Since natural gas and electric power markets are organically related, the negative effects of these contracts afflict both markets regardless of their origin.

Fig. 6. Sectoral Sharing of Natural Gas Consumption in 2004 (BOTAS, [www.botas.gov.tr](http://www.botas.gov.tr))



Long-term take-or-pay supply contracts are another barrier before the liberalization of the market. BOTAS has just signed eight long-term gas purchase contracts. Such contracts can establish *competition for the market*, if they are granted through competitive bidding (Demsetz, 1968). However, they also create barriers to entry and economic inefficiency in the market. Because contracts have been signed without careful demand predictions (DPT, 2000), oversupply risk, barriers to entry and inefficiency will apparently give birth to further impediments to a competitive environment.

Table 2 and table 3 present natural gas demand estimates and contracts for the future. Because gas demand has increased less than expected, a risk of oversupply exists for the coming years. It is estimated that existing contracts will exceed demand over the next two to three years by 9 to 13 percent and reach 20 percent later in the decade (IEA, 2005a).

Table 2. Turkey's Estimated Natural Gas Demand and Export Rates (mcm) (BOTAS, [www.botas.gov.tr](http://www.botas.gov.tr)).

YEARS	2006	2007	2008	2009	2010	2015	2020
Turkey's Gas Demand	29.505	31.155	33.417	37.034	42.076	52.245	61.042
Gas Export	21	492	737	737	737	737	737
Total Gas Demand	29.526	31.647	34.154	37.771	42.813	52.982	61.779

Table 3. Contracted Supply Quantities (mcm) (BOTAS, [www.botas.gov.tr](http://www.botas.gov.tr)).

YEARS	2005	2006	2007	2008	2009	2010	2015	2020
Rus. Fed.	5000	6000	6000	6000	6000	6000	0	0
Algeria (LNG)	4444	4444	4444	4444	4444	4444	0	0
Nigeria (LNG)	1338	1338	1338	1338	1338	1338	1338	1338
Iran	6689	8600	9556	9556	9556	9556	9556	9556
Rus. Fed. (West)	8000	8000	8000	8000	8000	8000	8000	8000
Rus. Fed. (Black Sea)	6000	8000	10000	12000	14000	16000	16000	16000
Turkmenistan (*)	0	0	0	0	0	0	0	0
Azerbaijan (**)	0	0	2000	3000	5000	6600	6600	6600
Total Gas Supply	30938	35766	40638	43587	47519	51058	40791	40791

(\*) : Natural gas purchase keeps uncertainty.

(\*\*): Annual contract amounts will able to be changed according to beginning date of gas deliveries.

The new contract with Egypt, made by the Ministry and transferred to BOTAS, has given the signal of the controversy over the authority in the market. It also gives the signal that the government does not take NGML seriously. MENR sees the Egypt contract as an important step toward supply diversity. However, EMRA does not see a supply shortage to enter into new contracts.<sup>46</sup> According to NGML, EMRA board has the right and authority to decide on these contracts.<sup>47</sup> Even if EMRA and MENR reach an agreement, BOTAS cannot be part of the contract. NGML limits the market share of any importer or wholesaler to 20 percent of the domestic market. This also applies to BOTAS, which cannot make new purchase contracts until its share of imports falls to the required level. The earliest possible date for BOTAS's share to fall the legally required level is 2009. In sum, as in the case of electricity, the government does not want to leave energy policy to a regulatory agency and reduces the role of EMRA over the natural gas market to a bureaucratic arm of the government. The government signals that it has command over the market.

Lastly, although Turkey is a *natural* energy corridor between Europe and Asia, it has not sufficient underground storage capacity that would store more gas than it consumes to realize its aim to be the Eurasia corridor. This deficiency constrains Turkey both in terms of efficiency of its energy policies related to natural gas and in terms of development of competition in the internal natural gas market.

## 5. Summary

In this paper, we have tried to offer a glimpse of the restructuring efforts and surrounding issues in the Turkish natural gas market. Problems that plague the electricity market also impair the natural gas market. The legal reform and the regulatory agency could not establish a market structure that reinforces and promote a 'liberal' market.

Turkey's multidirectional dependency in energy has prevented efficiency considerations to take the lead in energy policies. It has not been able to diversify its natural gas supply sufficiently to minimize the effects of an external shock. It also lacks necessary storage facilities. In the event of a probable economic or political instability in the region, the dependency on Russia in natural gas can trigger an energy crisis in Turkey. While these issues at first may seem to be transitory, conflicts between the government and the regulatory authority increases the costs of transition to a competitive market.

Electric power plants use natural gas to a great extent. Instability in the natural gas sector may trigger a probable crisis in the electricity industry until Turkey achieves the primary source diversity in electricity generation. It is clear that Turkey should ascertain the resource diversity. The conflict between MENR and EMRA on the diversity issue raises two separate issues. While EMRA may not want new contracts because of the law, diversity is a necessity. The action of the ministry is wrong in

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<sup>46</sup> EMRA's President Yusuf Gunay's speech. <http://www.epdk.gov.tr/basin/2006konusma/2006-04-21-antalya.html> (as of 22.05.2006).

<sup>47</sup> NGML temporary article 2. Export only contracts can be made without EMRA's permission. However, the Egypt contract aims to import 4 bcm gas to Turkey. BOTAS cannot enter into this contract without first obtaining EMRA's decision. The government went around the regulatory authority in this case.

principle. It bypasses the law, instead of amending it. We believe that any political intervention to avoid the law creates more problems than it solves.

Another significant problem during the reform of natural gas market is BOTAS's monopolistic structure. BOTAS's ongoing monopoly structure over the natural gas market, such as its share in imports, long-term purchase contracts, and property of transmission grids, have increased transactions costs of transition to a competitive regulatory setting. It is also *de facto* necessary to reduce BOTAS's dominant role in the market in order to institutionalize competition successfully.

More importantly, the political issues that surround the market have to be seen as part of the restructuring effort rather than external shocks. A separation of technical, economic and political issues may limit the ability to see the interrelations between the institutional structure and market participants. In sum, the efforts to reform the industry remain sluggish. The opportunities to build a competitive market are still there to be exploited, even though their costs are rising.

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## **The Way to Europe – Experience and Prospects**

**Shota DOGONADZE\***

Georgia is the plenipotentiary member of the European family.

How do we realize this conception and where are we? Are we far or near from the goal?

From ancient times human beings have been searching for ways to live in unity, in global peace and felicity, to gain their noble aims, which will make our planet more cooperative, instead of wars and clashes. This was impossible for many centuries.

But some human desires may come true. The pattern of such desire can be the unity of states, called the European Union.

Winston Churchill, the Prime Minister of the UK was the first to speak on the very aim of uniting Europe in Zurich on the 19<sup>th</sup> of September, 1946.

The EU proved that cooperation between the member states is possible in special status, when a state gives up its privilege to negotiate tightly with other countries to solve problems. It is hard to determine whether it is positive example of globalization or not, but one thing is clear, that the states only benefit from such co-operation. We aren't inclined to represent the picture of flawless co-operation.

The EU is gradually growing in its size. Its attitude towards deepening integrity can be revealed in its assistance and co-operation with Georgia.

Georgia being the member of the Council of Europe has made its choice.

The integration with Euro- Atlantic bodies is the one of the main priorities of its foreign policy, which can promote it's attempt towards independence and sovereignty, develop it's economy, enforce it's jurisdiction throughout the country, settle the conflicts in a peaceful way, and become the integral part of a new European community.

It must be noted that the integration with the European Union is consistent, as this organization is one of the most significant entities, and being its member can be beneficial for developing countries like countries were willing to support such countries in their infancy and showed their will to co-operate with the above –mentioned states on the basis of equal rights.

Georgia in its hard fought battle for independence, has found the reliable partner, providing assistance in every field.

The basis of co-operation between Georgia and EU is “The agreement on partnership and co-operation” signed in April 22, 1996 in Luxemburg.

The main objectives of the agreement are as follows:

Elaboration of the appropriate structure for political dialogue between the parties, providing for the development of political relations.

Assistance to Georgia in strengthening democracy, improving economic conditions and encouraging market economy.

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\* Prof. Dr., Georgian Technical University

Encouraging trade and investment and economic relations, thus facilitating economic development.

Laying the basis for the co-operation in legal, economic, financial, social, civil, scientific, cultural and technological fields.

The agreement signed on a 10 –year term was enforced in July 1, 1999.

One essential point in co-operation between Georgia and the EU is Caspian oil, having become a significant factor in world politics and it's safety, arousing overall interest. This very interest implies Russia's strategic interest in post-soviet republics, Turkish political and economic ambitions in Middle East countries, and Iran's interest in the region and the west, besides these China's, Pakistan's, and India's ambitions as well.

The prospects of Caspian energy resources had been shaped by 1998.

The west acknowledged Georgia's significant role on the "geopolitical arena" of the Caspian energy resources.

After the Rose Revolution on June 14, 2004 Georgia, Armenia and Azeri republics were recognized as the members of "the European Neighboring Policy". Romano Prodi, the President of Euro Commission, paying a visit to Georgia in September, 2004, declared "It's an important step towards Euro COUNCIL REGION". The co-operation between Euro Union and Georgia has reached a new stage.

Georgia has set it's priorities for the action plan of EU neighboring police, comprising many important aspects.

Ensuring the supremacy of law, implying the implementation of reforms in penitentiary and law-enforcement.

Ensuring stability and safety, providing peaceful settlement of existing conflicts in Georgia, preventing border violation and development of frontier co-operation.

Human rights protection, comprising struggle against trafficking and organized crime.

Co-operation in different fields (migration, commodity transportation, service delivery and capital transaction).

Trade development and attracting investments.

Rehabilitation of infrastructure.

Energy system development, focusing on Georgia's involvement intrans-regional energy systems in order to supply Caspian energy resources to EU markets.

Elaborating national strategy in the field of transport.

Georgia's integration in European educational and research network.

Co-operation in Georgia on the basis of social partnership aiming at professional education and lifelong learning, etc.

The Georgian state has accumulated considerable experience towards Euro-Atlantic integration, but judging by everything, it isn't sufficient. We have to study from our partners, mostly from those we have close partnership within the organization of



Black Sea economic co-operation. These states became the members of the organization or failed to enter at different periods with different preparedness.

We must make conclusions based on the example of our partnership. People never take into consideration that historic events and governments can't be exclusive either. In most case authorities believe their innocence and faultlessness and are wrong to think that past misdeeds won't reoccur. Fortunately, history has it's own logic. We should be above, all the prejudice and consider historic experience and make right decisions.

Establishing democracy and human rights protection is the main priority to be observed by all members of the EU. Human rights protection implies not only general concepts, but also monitoring all the ongoing processes in the country.

The main goal of the Post- Soviet republics is to overcome pseudo-democratic approach. Generations were indoctrinated with the illusions of ideal future equality and common well-being. People having suffered from repression were satisfied with the outward democratic changes. Even today, most people can't realize that nonexistence of unemployment is disastrous for economy and progress. Struggle against unemployment must be a domain for every progressive authority, through real work places and not through the extension of production.

Thus, we want to prove that unreal slogan policy trapped society in the world of illusions. More than two decades have passed since the collapse of the Soviet Empire, but still many people prefer to live in falsehood. We would be mistaken to think that ideological problems are overcome and that everyone is aware of reality. Moreover, even new generations live with illusions. These problems make some obstacles in order to reach the goal, that serves to destroy their believe in "Communist Paradise". The final aim could be achieved through real tangible activities and formation of civil society, implying sense of responsibility of each citizen.

In order to achieve this aim it is necessary to implement consistent policy, comprising real social, economic and cultural – ethnic problems. People should notice the positive impact of the economic reforms. It's said that the Georgian economy should be transformed, but it has nothing to do with the transformation. The main problem is reinventing economy. Energy crises have been solved, and other problems are to be settled. The most important step towards the main goal is that pensions have been doubled, but this is not sufficient, as it should approach the real indicator. Serious educational problems have been overcome. Knowledge has become the only criterion in getting higher education. The educational system should be adequate to European standards. Education received in Georgia mustn't be less prestigious than of one received abroad. It should be noted that legal reforms have been carried out, and a new attitude has been shaped toward justice. The supremacy of law should reign.

Use should make our partners believe, that we will be not only the "consumers" of integral European security system, but we'll make a valuable contribution to it. Our integration into the EU is the main objective of our country. This process is not an easy one and we've realized this complexity in the example of own neighboring country Turkey. This is the continual and consistent activity. Our endeavors designed to reach this goal should be translated into the issue of own national dignity.

The implementation of the treaty on partnership and co-operation with Europe is one of the ways to EU. Added to the above mentioned, we should be able to removal our life, in order to enable all our citizens to get the guarantee of their lives and activities; to acquire the opportunity to integrate and participate in the European cultural and educational processes. Each citizen should enjoy real freedom, the benefit of democratic values, and perceive the charm of being integrated into European economic space .We should reach the European standards of living and enjoy this benefit.

All the above-mentioned is within the reach but it requires the appropriate international environment. We can't have any security guarantees, if we don't settle differences with our neighbors, especially with Russia. We should make our neighbors aware of the fact that our desire to integrate into Europe is no threat to our neighbors. When Peter the Great paved the way to Europe, this move was directed at cooperation between east and west. Today's Russia is trying to cooperate with the west, so why should we say no to this cooperation. The age of satellite countries has gone. The choice of our country is to have close relations with other countries. But it doesn't mean that we should reject our neighbors, especially a great one like Russia. Friendship and cooperation is a mutual phenomenon. We hope for active cooperation and partnership with EU and our neighboring countries.

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## The European Union's Strategy for the Black Sea Region:

### A Precarious Balancing Act

Richard ROUSSEAU\*

**Abstract:** In this article, we discuss three factors that are contributing to the development and the evolution of the EU's policy toward the Black Sea region. Initially, we review the current interior situation of the EU. We argue in that section that the EU finds itself in the middle of an identity crisis revealed by the negative French and Netherlands votes to the constitutional project in 2005. Subsequently, we analyze the relations that have developed between the EU and the Russian Federation. The EU's relations with Moscow constitute a key element in Brussels' Common Foreign and Security Policy and, particularly, in Brussels' concept of the Wider Black Sea Area. The article ends with a look at the transatlantic relations. We argue that currently the EU and the U.S. find themselves in different historical situations and are preoccupied by quite different issues. This makes a common and coherent policy toward the Black Sea region very difficult.

The geopolitical importance of the Black Sea region is today quite evident<sup>1</sup>. Although situated at the periphery of the European Union's (EU) core countries (France and Germany), the Black Sea region has direct link with three particularly sensitive regional areas: The southern part of the Russia Federation destabilized by the war in Chechnya; the Caucasus (Georgia, Armenia, Azerbaijan) marred by continued 'frozen conflicts' with no resolution in sight; the Middle East where high tensions are constantly a preoccupation, especially in the backdrop of the Iraq conflict on the brink of a full-fledge civil war. Also, the Iran nuclear program issue continues to be on the agenda in the Greater Middle East, along with the supply of energy resources around de Caspian Sea and in countries of Central Asia.

In order to help implementing a "Euro-Atlantic" policy in the Black Sea region, the geographic and strategic concept Wider Black Sea Area has been opportunistically crafted by Euro-Atlantic states, whose inspiration came from the Greater Middle East model. In the case of NATO, the Istanbul Summit communiqué of June 2004 not only stressed the general importance of the Black Sea region for Euro-Atlantic security, it also underlined the Alliance's specific responsibility to help build upon existing forms and models of regional cooperation.

Considering its successive enlargement, its regional ambitions and its considerable resources and means to put policies into action, the EU's vocation is to be directly and durably involved in the Black Sea region<sup>2</sup>. Brussels has undoubtedly sufficient means to achieve its objectives in that compacted and multifaceted region.

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\* Richard Rousseau is Assistant Professor and Director of the Master's Program in International Relations (richardr@kimep.kz) at the Kazakhstan Institute of Management, Economics & Strategic Research (KIMEP)

<sup>1</sup> KING (Charles), *The New Near East*, *Survival*, N 2, 2001, p.49-67.

<sup>2</sup> ADAMS (Terry) (ed.), *Europe's Black Sea Dimension*, Brussels, CEPS, 2002; AYADIN (Mustafa), *Europe's next shore: the Black Sea region after EU enlargement*, Paris, ISS, Occasional Paper, N53, June 2004.

However, the EU is having problems in its efforts to come up with a clear and coherent policy that reflects the needs of a majority of its members<sup>3</sup>.

The elaboration of a consistent and comprehensive foreign policy is weakened by the Union's institutional set-up and its bottom up pillar structure which potentially impedes the formulation of coherent external policies and realistic negotiating positions. For example, in the context of EU-Russia relations in the early 1990s, and particularly in the case of the Russian exclave oblast of Kaliningrad, the EU faced difficulties in coming forward with a uniform position. While the European Parliament pushed for a pro-active policy and was ready to grant Kaliningrad with a special status within the framework of the EU-Russia "Partnership and Cooperation Agreement" (PCA), the Commission demonstrated a more cautious approach, arguing that the Russian government might perceive the special treatment of its exclave as an illegitimate intervention in its internal affairs<sup>4</sup>.

The EU's foreign policy suffers from a lack of coherence and effectiveness because of a rotational presidency, a lack of political continuity, and changes in the various identified priorities and policy directions that accompany a system unable to formulate clear foresight and policy direction. Moreover, there are inherent conflicts of interest and a 'North-South' division among EU members regarding policy initiatives in the Baltic Sea and Black Sea regions. It is not surprising, then, that under the Finnish and Swedish presidencies, in 1999 and 2001 respectively, the Kaliningrad issue was high on the agenda, both in the context of the regional policy of the Northern Dimension<sup>5</sup> and EU-Russian relations more generally.

The EU's 'capability' to act in a coherent and effective way has only slightly improved. True, the EU increasingly shows the qualities of an international actor. This has been especially evident in the case of Kaliningrad – an issue that has only gained such prominence because of EU enlargement. But in reality the EU's Common Foreign and Security Policy (CFSP) can be characterised as a multilateral forum for cooperation and the coordination of individual members' foreign policies<sup>6</sup>. For instance, in the case of Germany, the engagement in this 'forum' has become the backbone of its foreign

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<sup>3</sup> GRABBE (Heather), Towards a More Ambitious EU Policy for the Black Sea Region, in R. Asmus (ed.), *A New Euro-Atlantic Strategy for the Black Sea Region*, Washington D. C., GMF of the United States, 2004, p. 106-115.

<sup>4</sup> For a thorough overview of this problem see Oldberg (Ingmar), Kaliningrad: Russian exclave, European enclave, *Scientific Report of the Swedish Defence Research Agency*, Stockholm, 2001.

<sup>5</sup> According to the EU, the Northern Dimension addresses the specific challenges and opportunities arising in those regions [North-west Russia, the Baltic Sea region and Arctic Sea region] and aims to strengthen dialogue and cooperation between the EU and its member states, the northern countries associated with the EU under the EEA (Norway and Iceland) and the Russian Federation. See [http://ec.europa.eu/comm/external\\_relations/north\\_dim/index.htm](http://ec.europa.eu/comm/external_relations/north_dim/index.htm)

<sup>6</sup> It is in fact controversial whether the CFSP qualifies as an instance of multilateralism. Yet, the CFSP is definitely a multilateral form of coordinating national foreign policies. See Ruggie (John G.), *Multilateralism Matters: the theory and praxis of an institutional form*, New York: Columbia University Press, 2003; Keohane (Robert O.), Multilateralism: an agenda for research, *International Journal*, vol. XLV, 1990, p. 731.

policy, especially following its unification and with respect to German-Russian relations. It is through multilateral channels that successive German governments since Helmut Kohl can assert their interest and influence vis-à-vis Russia. The same could be said about France's foreign policy strategy.

As a result, the international status of the European Union is not yet clearly determined. Due to the long and complicated process of Europe's unification, the EU has a mixed status, composed of elements of international organization, federal state and multilateral agreements. Although the EU does not formally have the status of a legal person, it was declared to be an international organization. It has multiple attributes of a state: currency, citizenship, organizational framework and even military forces. But decision procedures concerning the CFSP are similar to that of multilateral agreements.

The ambiguous international status of the EU and the multilateral basis of its 'foreign policy' are major factors explaining why the concept of the Wider Black Sea Area, although welcomed, can hardly qualify as a blueprint or consistent strategy over the long haul. A consensus is constantly hard to achieve in the EU's political institutions, and the lack of an agreement on a wide-ranging strategy toward the Black Sea is another example. In reality, the EU is confronted with the following paradox: Deeply involved in the Black Sea region in terms of geopolitical interests, the 'idea' of the EU is losing ground conceptually since an important number of countries in 2005 voted against the adoption of a constitution for the European Union (EU). As a result, the EU is undoubtedly an indispensable actor in the Wider Black Sea Area, but it is not currently the main driving force. NATO and the U.S. have taken the lead in the integration of the Black Sea region. An example of that leadership occurred in March 2005 when Georgia signed an agreement with NATO to provide transit to Afghanistan across Georgian territory. Japp de Hoop Scheffer stressed on the occasion that by taking this step the Georgian authorities have once again confirmed their intention for closer integration in the European structures.

In the current situation, the EU must design a realistic and pragmatic policy toward the Black Sea area. The EU must design its policy toward the Black Sea area by taking into account at least three vital factors. First, the EU must pay attention to its interior situation. After the 'no' vote in France and the Netherlands on the constitutional treaty, the EU is going through an unparalleled crisis that leaves much uncertainty as to future enlargements. Second, the EU's 'Strategic Partnership' with Russia must be better defined. That partnership is not considered fundamental by the EU in its many attempts to construct security around the Black Sea area, while the 'Russia issue', however, is often presented as a determining factor for the regional security stabilization. This is a contradictory position that cannot be prolonged any further. Third, the unsteady evolution in the transatlantic relations further complicates the EU's policies in its vicinity. The war in Iraq and the fight against 'international terrorism' have deeply transformed transatlantic relations, which has impacted in turn the priorities of the United States, members of the EU and the United Nations (UN), in terms of Black Sea regional conflicts.

This article initially reviews the current interior situation of the EU. It subsequently analyzes the relations that have developed between the EU and the Russian Federation. The article ends with a look at the transatlantic relations. These three vital factors – interior situation, relations with Russia, and transatlantic relation – will influence the EU's present and future policy toward the Black Sea region.

## *The EU at a Turning Point*

The EU finds itself in the middle of an identity crisis revealed by the negative French and Netherlands votes to the constitutional project in 2005. The results of that vote are open to a variety of interpretations. However, it can be explained either in terms of French and Dutch domestic politics, or by a lack of clarity as to the Union's procedural mechanism, or, and perhaps mostly, by a profound misunderstanding of European enlargement process in the first place. Not really wished by the citizens of the EU, the enlargement process, throughout the EU constitution referendum campaign, was interpreted by EU citizens more as a process of political and power dilution than an attempt at strengthening and consolidating the European project in one working document. This left a cloud of ambiguity with regards to borders of the EU and member states. When would the enlargement be over, voters asked themselves? Moreover, the issue of Turkey's accession became a highly sensitive topic during the referendum on both the EU and national agendas. Member states were dealing with these issues at a time when their economic performance was less than respectable and European citizens began suffering from the effects of job 'outsourcing' and economic competition from new members of the East. That accentuated the impression among EU citizens of an unlimited enlargement process decided by political-administrative elites in complete disregard of European public opinions<sup>7</sup>.

But the adoption of a constitution is not the only real problem. The EU is confronting extremely divisive issues, and the most important is a philosophical split over Europe's future. European Union leaders claim that country members, European political forces and parties agree upon shared basic functional principles. The truth after the French referendum is that all members do not share these proclaimed principles.

EU members can be divided into two categories, basically: On one side, there are those in favour of more social and economic liberalization (the British, Dutch and Scandinavians); on the other, there are those clinging staunchly to policies of a traditional welfare state (the French, Germans and Belgians). The division is deeply embedded in the EU's processes and bureaucratic apparatus.

Referendums on the constitution also illustrated the ordinary Europeans' unfamiliarity with the EU as an emerging political entity. Compounding this problem is the seemingly obstinate loyalty of Europeans to their nation-states. For leaders and policymakers it was unpersuasive to argue for a defence of European interests, such as the common market, the Common Agricultural Policy (CAP) or the European regulatory framework.

Europeans will have to ask themselves if somewhere, something has gone wrong in the relationship between Europe and its citizens. It may have been an irrational vote, but it responded to something very deep: a fear of the future. The political elites who were in the 'yes' camp somehow failed to explain what the constitution actually implied or would mean. These elites should propose the establishment of institutions that receive broad popular support and should provide for a fair and functional distribution of power among different levels of authority.

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<sup>7</sup> DEMESMAY (Claire) et FOUGIER (Eddy), *La France qui fonde: l'adhésion de la Turquie en débat*, *Le débat*, N 133, janvier-février 2005, p. 126-137

Although the construction of European Union is still on the agenda, the French and Dutch "no" votes to the EU constitution entail a postponement of European enlargement and construction processes and further compels Europeans to raise key questions on the significance and the objectives of the EU development, especially in regard to neighboring countries. The EU is forced to think again and urgently about its foreign policy. It has to fulfill its commitments toward would-be member states, while at the same time it must demonstrate the viability of its internal functioning. The EU's neighboring countries, in particular those located in the Black Sea region – Turkey, Ukraine, Georgia, Armenia, Moldova, and to a lesser degree, Azerbaijan –, are waiting for legitimate and sincere political signals supplemented with concrete decisions concerning the nature of a possible partnership with Brussels. Some of these countries have quite openly and repeatedly expressed their desire to become EU members. Turkey, Ukraine and Georgia are well-known examples of countries that are seeking EU membership. However, the first problem for the EU is to satisfy this desire by adopting a reasonable strategy, that is, a strategy that takes into account the EU's current reduced means and political realities. The second problem is that Brussels must explain to these Black Sea countries the high level of uncertainty that stands on the way in the short and mid-term (human rights, rule of law, free and fair elections, etc.). The third problem lies in the necessity of overcoming both fatigue and lassitude generated by the 2004 enlargement, while pursuing a political overture to those countries wishing to join the EU<sup>8</sup>.

In spite of these problems and difficulties, the EU cannot realistically afford to ignore the Black Sea area considering that January 1, 2007 marked the accession, 17 years after the fall of Communism, of Romania and Bulgaria, two Black Sea littoral states. It means that the EU borders have now reached the Black Sea area and that the countries of the region must necessarily be integrated into the EU's external relations. Compared to the 2004 enlargement, the integration of Romania and Bulgaria poses problems of a different nature<sup>9</sup>. The EU has an obligation now to design a more ambitious policy toward the Black Sea, the more so since Romania and Bulgaria have resolutely and fully opted to be on the European side by giving a Euro-Atlantic orientation to their economic and security policy<sup>10</sup>. Also, these new acceding countries will have an impact on the Moldova 'frozen conflict'<sup>11</sup>. The EU will progressively have to be considered as a major actor in conflicts involving the security of ex-Communist European countries, especially if we consider that Bulgaria and Romania – Turkey,

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<sup>8</sup> ASMUS (Ronald) (ed.), *Developing a New Euro-Atlantic Strategy for the Black Sea Region*: Istanbul Paper # 2, GMF of the United States and TESEV, June 2004, p.5.

<sup>9</sup> EMERSON (Michael), *Vade Mecum for the Next Enlargement of the European Union*. *Ceps Policy Brief*, N 61, December 2004.

<sup>10</sup> MAIOR (George Cristian) and MATEI (Mihaela), *The Black Sea Region in the Enlarged Europe: Changing Patterns, Changing Politics*, *Mediterranean Quarterly*, N 1, 2005, p. 33-51.

<sup>11</sup> LYNCH (Dov), *Shared Neighbourhood or New Frontline? The Crossroads in Moldova, Russie*. *Cei. Visions*, N 2, April 2005; VAHL (Marius), *The Europeanisation of the Transnistrian Conflict*, *Ceps Policy Brief*, N 73, May 2005.

Ukraine and Russia as well – are members of the Organization of the Black Sea Economic Cooperation (BSEC) created on 25 June 1992. The BSEC covers a geography encompassing the territories of the Black Sea littoral states, the Balkans and the Caucasus. As an organization, the EU has enough solidity and potency to address these security challenges.

On the other hand, however, two issues have profound possible geopolitical consequences: The possible membership of Turkey and Ukraine and the right attitude to adopt toward these two countries. In the near future, the EU leadership will not be able to dissociate these two issues, especially if the concept Wider Black Sea Area concretely begins to make headway in Brussels' agenda.

Also, in the future it is unlikely that EU members will be able to effectively deal with Turkey and Ukraine membership issues and at the same time turn a blind eye to their domestic situation. Domestic politics of EU member states and EU enlargement projects will naturally influence one another; they cannot be addressed as separate problems. What is at stake in deciding the EU political strategy toward the Black Sea area is the position members will take concerning Ankara and Kiev's future status. This political position will indicate what form the association will take between Brussels, Ankara and Kiev – accession or special partnership status – and the timetable that will be adopted to this end. At the same time, these two countries will certainly adapt to the new context of uncertainty within the EU, as well as to other countries of the Black Sea region. Therefore, Ankara and Kiev's determination to accede to the EU institutions will also depend considerably on their willingness to support the EU during the current delicate transitional post-referendum period.

Recently, the EU launched the European Neighborhood Policy – previously it offered a wide array of partnership and cooperation agreements to bordering states – with the clear objective of bringing support and stability to Black Sea countries but without officially offering EU candidacy status. This Neighborhood Policy provides individual initiatives and development plans for all countries with the overall aim of bringing their national standards closer to those of the EU. Concretely, this bilateral approach combines both grants of technical assistance for grass roots projects and Structural Fund Programs for transborder cooperation. Switching from a bilateral approach to a more global approach toward the Black Sea region is now one of the main challenges facing the EU<sup>12</sup>.

The engagement of the south Caucasian states – Azerbaijan, Armenia and Georgia – in the Neighborhood Policy in 2004 has been a positive step for the continued development of a more inclusive and global policy in the Wider Black Sea Area and to cement closer economic and political ties – but short of full membership. This enlargement of the EU intervention zone can be explained by the aspiration to gain influence and leverages over the Caspian energy routes at the expense of Russia's strategic interests in the region. Moscow's political and security strategy toward its southwest neighbors will be an important factor in the implementation and success of the concept Wider Black Sea Area

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<sup>12</sup> CELAC (Sergiu), *The New Security Environment in the Black Sea Region*, in O. Pavliuk (ed.), *The Black Sea Region, Cooperation and Security Building*, London, M. E. Sharpe, 2004, p. 284-285.



### ***The EU-Russia Relations and the Black Sea Region***

EU-Russian cooperation dynamics demonstrate that their relations are based on the balance of interests, which means that they mutually benefit from this interaction. The European Union greatly contributes to Russia's efforts to modernize and it perceives such progress as an important factor for regional and European stability.

In the case of the Black Sea area, observers of EU politics could not fail to notice, however, that the Euro-Atlantic policy toward that part of the world has been designed with the constant 'Russian factor' in mind. Russia has been presented as the 'factor of uncertainty' in the Black Sea region<sup>13</sup>. A strong consensus exist among international relations analysts as to Russia's lost of influence in the region. However, most of them agree on the necessity to let Russia take part in discussions relating to the Black Sea region and to engage the Kremlin in the design and construction of regional security structures. The EU's relations with Moscow constitute a key element in Brussels' Common Foreign and Security Policy, although security issues remain somewhat secondary when compared with economic issues existing between Brussels and Moscow. The reason for the priority accorded to economic issues rather than security issues lies in the fact that the EU lacks credibility in the security domain, as well as Moscow's intense focus on NATO's 'turns and twist' in the area of security since the collapse of Communist regimes. Officially, the EU and Russia have consented on the creation of a 'strategic partnership.' However, in reality their relations still fall short of confidence and maturity, sometimes even bordering on open discord and crisis<sup>14</sup> – as in the case of energy security.

Opposed to NATO enlargement in 1999 and 2004, Russia has been less critical of EU 2004 enlargement, though. The spatial proximity of these two entities has led to tensions since December 2003 on the occasion of the 'Rose Revolution' in Georgia. Moscow rejects participation in Neighborhood Policies on the ground that it sees no reason to be among a group of states which includes countries such as Morocco, Libya or Ukraine. Moscow's political leadership still sees Russia in possession of all the attributes of an 'imperial' state in the post-Soviet space and beyond. Acceding to a political and economic union such as the EU would only diminish Russia's status in the international state system.

Relations between the European Union (EU) and Russia are based on three pillars: the Partnership and Cooperation Agreement (PCA) of 1994, the Common Strategy of the European Union towards Russia (CSR), which was first adopted in 1995 and revised at the Cologne summit in the summer of 1999, and the Northern Dimension initiative. The PCA outlines the general principles and detailed provisions that govern the relationship between the EU and the Russia Federation.

Of much interest for the Black Sea region is the fact that the EU-Russia dialogue has led to a regional initiative called the 'Northern Dimension,' which was agreed upon at the Luxembourg meeting of the European Council in 1997 on the Finnish government's initiative.

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<sup>13</sup> HERD (Graeme) and MOUSTAKIS (Fotios), *Black Sea Geopolitics: Dilemmas, Obstacles & Prospects*, CSRC, G84, July 2000.

<sup>14</sup> GOMART (Thomas), Les trois enjeux du partenariat entre l'Union européenne et la Russie, *Politique étrangère*, N 2, 2004, p. 387-399.

The Northern Dimension” is an ambitious regional program in which the EU and Russia cooperate effectively to enhance regional stability and security in the Baltic region. The Northern Dimension has been implemented within the framework of the Europe Agreements with the Baltic States, the Partnership and Cooperation Agreement with Russia and the European Economic Area regulations. Major areas of cooperation under the Northern Dimension include: The environment, nuclear safety, energy cooperation, Kaliningrad, infrastructure, business cooperation, justice and home affairs, social development, among others. However, a great deal of attention has been particularly paid to the environment, nuclear safety and cooperation and security in the sphere of energy. The Northern Dimension operates through the EU’s financial instruments available for Russia and the northern region: PHARE, TACIS and INTERREG.

The Northern Dimension aims to use these financing instruments for various types of projects that provide added value. For example, the environment and nuclear safety are expected to be the core priorities of the Northern Dimension Environmental Partnership Support Fund, which was launch in 2001<sup>15</sup>.

The implementation of the program has been noted as being necessary in the Declaration of the Council of the Baltic/European-Arctic Region on March 5, 1999. However, more recently the agreement has been discussed and approached from different sides – donor states (most of them EU members) and the Russian Federation. It should include such spheres of cooperation as know-how exchange, vocational training, staff development and the provision of materials and technology transfer.

The North and Baltic Sea region could be considered as one of the most dangerous points for the inner stability and security of the EU member states. There are some 300 nuclear reactors along the coast of the Kola Peninsula, which amounts to 20% of all reactors in the world. However, this region lacks an appropriate level of waste management and has only a few repositories and storage facilities of nuclear waste. That is one of the contributing factors that the EU remains highly concerned about in its Northern region. It continues to engage in discussions with Russia to tackle this pressing problem.

Russia has already expressed its willingness to take part in this dialog in the name of the stability on the European continent. In recent years the EU and Russia have worked together to formulate and fund wastewater projects for the North-West Russia, especially to address and reduce pollution in the Baltic Sea. For example, the St-Petersburg South West Wastewater Treatment Plant, which was financed by the EU (TACIS program), individual member states, the Nordic Investment Bank, the European Investment Bank and the Nordic Environment Finance Cooperation (NFCO), is operational since September 2005<sup>16</sup>.

At the moment, a similar initiative, such as a ‘Southern Black Sea Dimension’ of sort, is not envisaged for the Black Sea region<sup>17</sup>.

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<sup>15</sup> See *The Northern Dimension*. Available from:  
[http://europa.eu.int/comm/external\\_relations/north\\_dim/index.htm](http://europa.eu.int/comm/external_relations/north_dim/index.htm).

<sup>16</sup> See *Joint Statement of the EU-Russian Summit*, May 17, 2001. Available from:  
[http://europa.eu.int/comm/external\\_relations/russia/summit17\\_05\\_01/statement.htm](http://europa.eu.int/comm/external_relations/russia/summit17_05_01/statement.htm).

<sup>17</sup> MARIN (Anais), *La Dimension septentrionale : une autre forme de la PESC en Europe du Nord*, in D. Lynch, *EU-Russian security dimensions*, Paris, ISS, Occasional Paper, N 43, July 2003, p. 42-60

Fundamentally, Russia's policy toward the EU is based on two principles: First, an openly declared refusal to consider accession to the EU, or any type of constraining integration; second, Russia's determination to maintain in any circumstances a 'state-to-state' dialogue on an equal basis. Technically, the two parties have structured their relations around four "common spaces" – common economic space, common space of freedom, security and justice, common space of cooperation in the field of external security, common space on research, education and culture<sup>18</sup>. They have been implemented since the Moscow Summit in May 2005.

The "common sphere of cooperation in the field of external security" is particularly sensitive to Russia since it involves neighbors of the Russian Federation, or, to use Russian terminology, its 'near abroad.' Frictions between the EU and Russia following the double enlargement of May 2004 and January 2007 have been transformed into tensions on the occasion of the 'colored revolutions' in Serbia, Georgia, Ukraine and Kyrgyzstan.

These more or less 'velvet' revolutions, which look like another 'fall of the Berlin wall' from Moscow's point of view, did not occur in these countries for no reasons. Serbia in October 2000, Georgia in November 2003, Ukrainian in December 2004, and Kyrgyzstan in March 2005, have in common that a revolution took place in regimes that were not 'authentic' dictatorships. We might even say that dictatorship did not exist at all.

The presence of foreign NGOs is certainly not the only necessary conditions for a 'velvet' revolution to occur. But 'conspiracy theories' cannot explain this wave of revolutions of a new type. It is rather the emergence of collective action politics at the civil society level that helps to form counter powers and rapidly destabilize the regimes' pillars.

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For instance, the world witnessed a strange exit for the democratic apprentice that was Askar Akayev, president of Kyrgyzstan in March 2005. It is because Akayev made of his country something different than a real dictatorship similar to those of the majority of his Central Asia neighbors that the "Tulip revolution" broke his tenacity to rule. Because even if this revolution does not deserve to be called "tulip", since the opposition used strong means, the overthrow of the government would not have been possible without some islands of freedom Akayev gave to the Kyrgyz, notably in the first part of the 1990s. This 'illiberalism' à la Kyrgyzstan was dictated by the need to somewhat please the West in order to pocket millions of dollars supposedly for developing the country.

Whatever the level of organization of these revolutions, encouraged by U.S. organizations (Freedom house, National Democratic Institute, Eurasia Foundation, etc.), they are possible only if the rulers accept to embrace some degree of democracy and public values, especially in the run-up to new elections. Using the legal frameworks put in place by regimes' leaders, revolutionaries and supporters of change have demonstrated the ability to lock up or politically neutralize hated corrupted officials and overthrow their half-democratic regimes. Some socio-economic and organizational ingredients are needed to put an end to political careers of old soviet apparatchiks: a united opposition, oppositional media that express a large measure of public discontent in order for the population to unveil

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<sup>18</sup> See [http://ec.europa.eu/comm/external\\_relations/russia/summit\\_11\\_04/m04\\_268.htm](http://ec.europa.eu/comm/external_relations/russia/summit_11_04/m04_268.htm)

and go public in outright confrontation with the oppressing leadership, youngsters, trained in techniques of non-violent action and political change, quickly mobilizing and taking to the streets.

But how could one have imagined a revolution in Turkmenistan where Saparmurad Niazov, before he passed away in December 2006, was a lifelong president without any sort of opposition? None of these conditions as above-mentioned are present in this country which is considered one of the most inaccessible in the world. In the eventuality of any form of disorder within the country, the brutal police that the Turkmenbashi (“father of all Turkmen”) had built up to control all corners of the Turkmen territory and all aspects of society and daily living will be immediately ordered to repress without mercy rebellious Turkmenistani. Also, no foreign NGOs are allowed to operate in this gas-rich state.

The situation is nearly identical in Uzbekistan. Three months after the Rose Revolution in Georgia, in April 2004, the Open Society Institute (OSI), a non-governmental organization created by the famous ‘philanthropist’ George Soros and which has maintained an active presence in Uzbekistan for many years, was denied the right to be formerly registered by the Uzbek ministry of Justice. The Uzbek government officially argued that the OSI presents a negative image of the government’s activities and even “discredits” its various policies. Uzbek officials claimed that the OSI provided educational establishments with seditious pedagogical ideas and materials. They also accused the OSI of lacking transparency in the allowance of financial funds to institution of higher education.

Autocrats of the Central Asia region believe that Western NGOs and their affiliates serve as vehicle for transmitting Western ideas and education methods to their youth. That explains, they pretend, the occurrence of ‘colored’ revolutions between 2003 and 2005.

It is in this context that in the post-Soviet space, EU-Russia relations are, for the most part, interpreted as a zero-sum game. However, this is more often than not an erroneous interpretation, especially if we consider that the EU and Russia are usually more spectators than actors in the Caucasus and the northern section of the Black Sea. Busy with its own internal problems, some almost intractable, like desindustrialisation or demographic decline, Russia is practically helpless in stopping what Ukraine and Georgia governments do on their territories. These two ex-Soviet republics are themselves plagued by enormous social problems, which hinder them from capitalizing on historical opportunities to take control of their own national destiny and developing a regional integration strategy at the same time. For its part, the EU, as opposed to the United States, left the impression of not wanting to support oppositional political forces to Kutchma’s regime during the Ukrainian crisis of December 2004 for fear of provoking a reaction from Moscow<sup>19</sup>. One thing is certain, the ‘Orange Revolution’ contributed to a profound change in EU-Russia relations, and, consequently, their respective policies toward the Black Sea<sup>20</sup>.

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<sup>19</sup> MOTYL (Alexander), Ukraine II: EU Hypocrisy Must End, *International Herald Tribune*, 26 November 2004.

<sup>20</sup> MOTYL (Alexander), Ukraine II: EU Hypocrisy Must End, *International Herald Tribune*, 26 November 2004; SHERR (James), La révolution orange: un défi pour l’Ukraine, la Russie et l’Europe, *Politique étrangère*, N1, 2005, p. 9-20.

Apart from events in the Ukraine, the EU-Russia dialogue is also difficult to establish in part because of divergent security conceptions which condition their views on their common neighborhood. This is notably apparent in their perceptions of the Black Sea and in the political tensions that continue to linger in the Georgian breakaway territories of Abkhazia and South Ossetia. Moscow's conception of security is strongly linked with the notion of territorial security – the conflict in Chechnya being an example of a perceived threat to Russia's territorial integrity –, while Brussels reasons that the EU's security policy must put the emphasis on foreign threats to its own sovereignty and territorial integrity. When the EU talks about security, it is actually talking about security outside its borders. Consequently, EU's security policy often leads to a paradox. On the one hand, it tries to convince non-state members, like Ukraine and Georgia, to take part in humanitarian and peacekeeping operations. On the other hand, it constantly skirts the issue of EU's contribution to conflict resolution in these two highly unstable countries. To this feature of EU's security policy we could add that Brussels' strategic and security policy is still on the design table and in the meantime EU security analysts are doing some soul-searching, although it is already insisting on a prudent use of force in settling violent conflicts at the international level.

For its part, Russia's view on security remains in a conceptual framework anchored in the logic of classical territorial security. The armed forces' mission is to secure the territorial integrity of the country, whatever the cost. The neighboring countries – or the 'near abroad' – are seen as a protecting shield and a buffer zone against possible foreign aggressors. However, today Russia's territorial integrity is more under the threats of some domestic political actors – with some potential but limited links with foreign states or organizations – than foreign dangerous states or illicit subversive groups. Another major difference characterizes the EU and Russia's security policy: The latter has been in a state of war for the last thirteen years. The deadliest armed conflict on the European continent is the one opposing the Russian Federal Security forces and the Chechen militarized groups. Located between the Black Sea and the Caspian Sea, Chechnya is the main source of regional instability whose effects can be felt far beyond the border of the Russian Federation.

In summary, the construction of a regional security network around the Black Sea cannot strictly focus on the resolution of 'frozen' and unresolved conflicts (Karabakh, Abkhazia, South Ossetia, Transdniestria) and cannot elude the issue of the on-going Chechen war and its political and economic fallout. As long as the Chechen problem continues to bring its daily succession of Russian forces' destruction of Chechen infrastructures, hostage-takings and indiscriminate killings and summary executions of civilian Chechens, it will thwart any plan for real cooperation between Euro-Atlantic countries and Russia on the security in the Black Sea area<sup>21</sup>.

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<sup>21</sup> HILL (Fiona) (ed.), *A Spreading Danger, Timer for a New Policy towards Chechnya*, *Ceps Policy Brief*, N 68, April 2005.

### *Transatlantic relations as a key factor*

It is very difficult to conceive the elaboration of a Euro-Atlantic strategy for the Black Sea, which could combine the U.S., the EU and NATO resources, without taking into account the state of relations between transatlantic countries<sup>22</sup>.

The EU's relative lack of interest in the Wider Black Sea Area can be explained, among various other factors, by its constant attention on the Balkan region in the last decade and the two waves of accession in 2004 and 2007. For the most active promoters of the Wider Black Sea Area the EU should pursue a well-defined and comprehensive strategy in that convulsive part of the world for three fundamental reasons<sup>23</sup>. First, the European continent, which extends to South Caucasus so the promoters of the Wider Black Sea Area believe, in its need of a political and economic stabilization. This could be achieved by utilizing the Euro-Atlantic institutional structures. Second, a more active presence around the Black Sea could serve as a rampart against potential threats coming from the Greater Middle East. Signs of this are already tangible, as the U.S., which makes up 85% of NATO's budget, has begun reconstructing Georgian airbases and stationing intelligence and military personnel for potential use in its own and NATO's activities in the Middle East and Central Asia. Third, a strengthening of Euro-Atlantic capabilities in the Black Sea area could assist in gaining easier access to huge energy resources located further east in the Caspian Sea area and beyond. These wide-ranging strategic objectives are sometimes supplemented with a moral discourse destined to win over the support of skeptic Europeans as to the EU's enlargements. According to this moral discourse, Western European nations have a historical and moral mission to make up for past wrongdoings and socio-economic damages that have been inflicted upon the Black Sea countries by former Communist regimes in the post-WWII period<sup>24</sup>. Highly ideological, this approach usually serves more as flimsy window dressing in defending military and economic interests<sup>25</sup>.

Simply stated, it is clear that discussions about political and security issues in the Black Sea region have to integrate into their premises the global strategic and security interests of the United States<sup>26</sup>. To a great extent, NATO's objectives are more generally determined by Washington's global foreign policy. Euro-Atlantic structures come second in the U.S. elaboration process of its foreign policy. Since the beginning of U.S. military operations against Iraq in March 2003, transatlantic relations are going through profound mutations. Relations with the post-Soviet space are dividing Europeans and Americans, among other diverging viewpoints. Euro-Atlantic partners disagree about how to deal with Russia's 'near abroad.' Understandably, U.S. military

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<sup>22</sup> ASMUS (Ronald) and JACKSON (Bruce), *The Black Sea and the Frontiers of Freedom, Policy Review*, N 125, 2004.

<sup>23</sup> CELAC (Sergiu), *Five Reasons Why the West Should Become More Involved in the Black Sea Region*, in R. Asmus (ed.), *A New Euro-Atlantic Strategy for the Black Sea Region, op. cit.*, p. 138-146.

<sup>24</sup> ASMUS (Ronald) and JACKSON (Bruce), *The Black Sea and the Frontiers of Freedom, op. cit.*

<sup>25</sup> BRAN (Mirel), *L'activisme américain autour de la mer noire, Le Monde*, 4 April 2005.

<sup>26</sup> CALLEO (David), *The Broken West, Survival*, N 3, 2004, p. 32.

presence in Russia's surrounding countries, in particular in the South Caucasus, has the potential to cause various annoyances in EU-Russia relations.

Moscow, and especially Russian army's generals, sees Euro-Atlantic cooperation through the lens of NATO's strategy and current plans. Euro-Atlantic structures are seen as an extension of NATO's military command and NATO itself is often seen as an instrument of US foreign policy. More fundamentally, the September 11 terrorist attack in the U.S. had a major impact, in terms of strategy and security, on U.S. foreign policy. Since then, Washington has decided to divert its attention from Euro-Atlantic cooperation to more pressing issues, such as terrorism, rogue states, and the proliferation of weapons of mass destruction (WMD)<sup>27</sup>. With this redirected U.S. foreign policy, the EU and, particularly, NATO play the role of occasional contributors to the fight against terrorism. The EU and NATO are used as strategic and logistical levers in Washington's mission to eradicate from the face of the world terrorist groups such as Al Qaeda, Hezbollah or Al Qaeda Martyr's Brigade.

Difficulties in the elaboration of a Euro-Atlantic security strategy lie in the fact that the two partners find themselves in different historical situations and are preoccupied by quite different issues. The EU is a regional power engaged in a deep and long process of political, economic and military construction and consolidation. The U.S. is a global superpower tangled up in the web of current world security issues. As for the Black Sea region, Brussels' and Washington's interests differ on basically three aspects. First, for the United States, the Black Sea is only one region among many others where it is involved and where Washington's support is openly solicited. For the EU, the Black Sea is an inevitable part of its neighborhood and the theater of wide-ranging changes, which include preventing and resolving violent ethnic conflicts. Second, the implementation of the Wider Black Sea Area concept is strategically connected with the concept of the Greater Middle East, which is at this crucial juncture at the heart of White House's preoccupations. In other words, Washington considers the Black Sea region as a bridge connecting the Middle East with Europe. Third, the U.S., contrary to the EU and following the example of Russia in Chechnya, is at the moment fighting a war in Iraq. It is also fighting a 'Global War on Terror' that has no temporal and spatial boundaries.

Euro-Atlantic strategy for the creation of a security zone in the Black Sea region will largely depend on the evolution of the US/UK-led military campaign in Iraq and the 'war on international terrorism.' For countries of the Black Sea area, their political stance on these two global issues will determine their political and security dialogue and cooperation with the United States, Russia and the EU.

### **Conclusion**

In this article, we discussed three factors – EU internal politics, EU-Russia partnership and transatlantic relations – that are contributing to the development and the evolution of the EU's policy toward the Black Sea region. However, two other processes are likely to affect how the EU and transatlantic states approach their future relations with Black Sea states, and particularly the most ardent promoters of integration into Euro-Atlantic structures: Yushchenko's Ukraine's and Saakashvili's Georgia.

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<sup>27</sup> DAALDER (Ivo), The End of Atlanticism, *Survival*, N 2, 2003, p. 154. .

One process involves the GUAM (Georgia, Ukraine, Azerbaijan, Moldova) organization's definition of its status and objectives. GUAM was created as a geopolitical entity essentially to compete with Russia in the Black Sea area. The problem is that GUAM members have somewhat different preferences. On the one hand, Ukraine, Georgia and, to a lesser extent, Moldova seek to integrate into 'Euro-Atlantic' institutions (NATO, European Union). On the other hand, not one single country seriously thinks that Azerbaijan is a potential NATO member country, despite cooperation agreements between Baku and Brussels. Moreover, if 'colored revolutions' triumphed in Ukraine and in Georgia, Ilham Aliev for his part was successful in preventing such an occurrence from happening in Azerbaijan. Considering the existence of various national political situations, one possible scenario is that the West could make use of GUAM's leverages in its battle with Russia and Iran for political control over Southern Caucasus and the Black Sea area.

The precariousness of the GUAM organization doubtless explains the recent establishment of the Community of the Democratic Choice (CDC), an interstate structure. This organization comprises nine countries from the Balkan, Baltic, and Black Sea regions. The fate of this second process, to a great extent, will depend on the developing relations with the EU and NATO. At the moment, the West seems favorably disposed to CDC's actions and plans, but nevertheless it behaves with considerable sense and circumspection.

Despite many impediments, internal and external, the EU's involvement in the Black Sea region is likely to be reinforced with the passage of time. However, to a great extent, the EU's strategy depends on its internal political situation. The Black Sea region will serve as a litmus midterm test for the EU's Common Foreign and Security Policy and the European Neighborhood and Partnership Instrument (ENPI). This latter developmental instrument, which will become operational in 2007 under the new EU budget, is supposed to provide financial assistance to EU neighbors, and in the case of the Black Sea region, to the Organization of the Black Sea Economic Cooperation (BSEC).

The EU's relations with states of the Black Sea Area will face two immediate challenges. The first challenge is the dominance in the EU neighborhood policies of a bilateral approach with states of the Black Sea region. Although complementary regional policies have been developed with all EU's neighboring regions (examples are the Euro-Mediterranean Partnership, the Stability and Association Process, the Northern Dimension), the Black Sea region remains the exception.

It is noteworthy that the EU actively participates in regional organizations and initiatives, such as the Stability Pact for South Eastern Europe, the Central European Initiative, Barents and Baltic Councils and others. But here again, there are no such organizations or initiatives that have specifically been created for the needs of the Black Sea region.

This begs the question as to why the EU has not yet propose the creation of an organization for the Black Sea region that is similar to the 'Northern Dimension.' True, there are regional sectoral programs and initiatives, including the Black Sea PETrA (Pan-European Transport Area) programs on transport, the TRACECA



(Transport Corridor Europe-Caucasus-Asia), the DANBLAS (Danube-Black Sea Environmental Task Force) initiative and the INOGATE (Interstate Oil and Gas Transport to Europe) program and multilateral agreement. But these initiatives do not correspond to a truly integrated and coordinated foreign policy. Simply speaking, a low level of support inside the EU is the main contributing reason for the absence of a 'Black Sea dimension.'

The second challenge will be to convince EU skeptics that a deeper involvement in the Black Sea region can bring about added value and be useful in achieving Brussels' security and economic objectives. For many EU members, Black Sea regional organizations are only 'talking shops' and have no particular relevance to the EU.

One positive sign comes from new EU member states and their Eastern neighbors. Countries like Estonia, Latvia, Lithuania and Poland and the two members, Romania and Bulgaria, are increasingly joining forces in what is referred to in EU circles as the 'Baltic-Black Sea axis'. Also, the 'New Group of Georgia's Friends' was founded by four new EU members – Estonia, Latvia, Lithuania and Poland – in early February 2005. These countries, through the 'New Friends' initiative, want to share with Georgia the wealth of experience they acquired in their process of accession to the EU and NATO. As a complement, they also want to promote the Wider Black Sea Area. Moreover, they also want to promote the Wider Black Sea Area as a region and a concept in achieving different security and developmental objectives.

## **National Security of Georgia and some Aspects of its Informational-Analytical Stet (By the concrete example of Energy Security)**

**Henry KUPRASHVILI\***

The usage of the informational area for political, scientific and other aims is produced on the base of mastering and using analytic, prognostic and other informational technologies.

This special type of technologies is informational technologies. V.Chavchanidze distinguishes two tendencies, in particular, the technical means of the informational technologies and the intellectual means of the informational technologies<sup>28</sup>.

Generally information technology is the unity of methodic, programmatic, technical and organizational sources, which are united in functional structure for solving the distinct tasks of working out the information, and which consists of methodic and computational working out and transferring of information, the technologies of integration of technical sources, of technical equipment and their realization in the united complex.

Today the technologies of informational analysis and prognosis possess the most important place in raising the effectiveness of political business and in its informational securing<sup>29</sup>.

The technologies of informational analysis and prognosis are the sources of making decision of complex practical tasks (political, social-economic, energy and etc.) and are directed to secure politician's activity. They make it possible to prognosticate the perspectives of spread data, of classifying informational fragment in one system, of binding the happened as the whole picture and of activities of the different powers, structures, interest groups.

The general analysis of conceptual aspects of given problem will not receive the perfect face, if is not made demonstration of concrete informational-analytic technology. The suggested model of usage of informational analytic and prognostic technologies in the sphere of securing of Georgian national security will prove as an example.

According to Georgian law "about the council of national security", "The organizational-technical and informational-analytic activity of the national Security Council must be proved by its machinery", which must support the government:

In working and carrying out the policy of national security (strategic tasks);

In solving the current (tactic) problems related to the national security;

In controlling of carrying out and executing the decisions made about the problems of national security<sup>30</sup>.

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\* Doctor of Political Sciences, Professor of the sub-faculty of Politology and International Relations at the Technical University of Georgia

<sup>28</sup> WavWaniZe v., mecnierul-informaciuli analizisa da prognozirebis problemaTa Sesaxeb // mecniereba da teqnologiebi. # 1-3. 2001. gv. 13.

<sup>29</sup> Яковлев И.Г., Информационно-аналитические технологии и политическое консультирование.//ПОЛИС/ № 2-3. 1999. С. 122-133, 179-191.

National security faces problems in both spheres of public life: in foreign as well as in domestic (political, economical, energy, social and others). Timely exposure of characterizing this problem must secure forming and realization of oriented forerunner decisions reasoned to influence against them. For working out the forerunner decisions it is necessary to determine:

The aim of influence; the form of influence;

The place of influence (a real or structural);

The time of influence (period); the object of influence<sup>31</sup>.

Solving these tasks needs gathering, binding, working and analyzing of a great deal of information. Also it is necessary to secure the perfection of intellectual operations executed in this process, specifically:

Notional interpretation of information;

Determination of level of likeness of information;

Evaluating the quality of perfection, trust working and non-resistance;

Evaluating the characters of information that comes from the aims of following the information;

Generalization of information, formation of conclusions and etc.

Here is necessary that the system that must secure five interrelated principles of qualitative and effective process of decision making:

The real scale of time;

Comfortable and exhaustive informing;

Responsibility;

Optimal combination of possibilities of people and computer technique;

The high quality of adoption, evolutionary embedment of automatized sources, or adaptation of every approbated and common method already used by consumer in the process of taking decision.

Also program packages of intellectual analysis of data must be used, which will:

Give the possibility of modeling, forecasting and building expert systems, also, of integration with the data bases ruling systems;

Present the last results (prognosis) so that they were perceived effectually (fast), clearly and simply;

Value the exactness of original information, because the last results depend on its quality;

It would be simple to use, and consumer's interface will be comfortable and familiar.

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<sup>30</sup> The law of Georgia on the National Security Council. Tbilisi, May 24, 1996.

<sup>31</sup> Cohen R., Mihalka M., COOPERATIVE SECURITY: NEW HORIZONS FOR INTERNATIONAL ORDER. Marshall Center Paper #3. 2001.

The demands of these problems give the necessity of creation of special automatized system of informational analysis and prognosis in the state, which on the base of analysis of information and generalization got from the different sources must:

Make the permanent analysis of informational reflection of current situation in the priority spheres of state interests;

Expose the tendencies of development of situations in these spheres;

Also changes and inclinations influencing on their politics, gather the knowledge about the reasons of such changes and results;

Give the necessary information on every step of the process of taking a decision, with the guarantee of completeness and trustworthiness, in an adequate and simply interpretation form and at the needed moment of time.

For realization of such tasks of information working- out, must be existed or must be created the following organizational and technical sources:

Of acquiring timely and perfect information;

Of choosing, calculating and classifying entered information;

Of analyzing and generalizing the calculated information;

Of evaluating the quality of information;

Of forming the conclusions and recommendations;

Of evaluating from the aim of permanent intelligence of information.<sup>32</sup>

As to what refers to demarcation of functions between the human and system - here the general tendency must be used; the tasks, in the frames of competence, at every level must be put by a human; the final decisions, in the frames of competence, at every level must be taken by a human; intellectual working out of data, producing of decisions and plans, prognosticating of events, in the frames of competence at every level must be carried out by a human in dialogue with the system.

The main function of the decision making system must be carrying out the intellectual analysis of data, for which it must have the base of precedents and knowledge.<sup>33</sup> The decision making system through the dialogue with the expert-analytics must give the evaluation of the events, it must carry out prognostication and working out of the variants of decisions. The system must have the developed means of visualization of analysis results and connection with consumer (interface).

The system also must simplify the analysis of questions and problems related to the national security; producing the variants of decisions and prognosticating the carrying out of their results. This demand is wholly related to intellectual working out of the operative data, as a result of which, in dialogue with the system, can be received both reference and regulating and the extraordinary information.

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<sup>32</sup> Toffler, A. The third Wave. New York: William and Morrow, 1980.

<sup>33</sup> Прангишвиди И.В., Системный подход и общесистемные закономерности. – М.: Синтег, 2000.

From the theoretical analysis of the technology of informational analysis and informational prognosis, we can turn to the discussion of the concrete example of its realization into practice.

The original technologies of analysis and prognosis can be used in projecting and forming the automatic system "Didgori", the system of strategic analysis and global modeling of Georgian National Security Council, and its fragments are carried out in the part of the system of informational securing of state government (in program module), concretely, at the time of formulation the demands of solving tasks of system "Didgori", of classifying the information, which must be gathered and worked out and of formulating the system of coding, creating of unified documents used in the system and during the automatization of informational reference-calculating and informational-analytical processes.

The functional system of "Didgori" consists of the systems of:

Forming informational base (receiving, working out and guarding the information);

Of informational securing;

Of dataset and exchange of information, of taking decisions;

Of controlling the taken decisions and others.

And the functional system is characterized by the several levels of automatization, for example, one of the level - apparatus of the National Security Council, with its local set - secures working out of global strategic information (analytic research, evaluating the situation, prognosticating of worked out decision) for securing operative receiving of decisions and others by the supreme government of the country (the highest level of the system).

The foundation of the databases of the National Security Council - the united net of informational securing - is characterized by triple-measured vector:

The classes of information suppliers;

Of tasks (problems) that must be solved;

Of experts and others.

The types, concept and regulation of supplying analytic information are determined. The information that must be supplied is qualified in questions and is divided, according to the meaning, in types:

Extraordinary;

Regulate;

Reference...

The entered information is put in order in the base of data according to the tasks (problems), which must be solved, from which any fore-determined individual with competence could take information at any time. Also in the automatic regime, created programs will be able to consume the information according to the tasks, which must be solved in "Didgori".

“Didgori” enables the State Departments to acquaint with the information on those interesting questions, the list of which will also be regulated strictly.

The ruling object of “Didgori” owns any kind of information (economics, politics...) about the ruling object at any moment of time. Thus, the system secures: efficiency, accuracy of information, possibility of working up the highly dimensional information.

In the system “Didgori” the work proceeds in two directions:

Creation of the informational automatized system (operative receiving of primary information, its transferring, keeping, reproduction).

Creation of complex of intellectual systems, in other words, by other methods (polymetrical, sociometrical, econometrical and etc.) the creation of the systems, when in certain conditions, with the help of using and modeling of information stored up in the basis, the system must give us some variants of decision, must enable us to make anticipatory determination of strategic tendencies and must help analysts and the decision makers.

For development of the handling system must be used such program packages of data intellectual analysis, which:

Will enable us to create the systems of modeling, forecasting and expert system;

Will show us the clarity and easy reproduction of the ultimate results (prognosis);

Will evaluate the accuracy of initial information, because the final results are very dependent on its quality;

Will be easy for utilization, users’ interface will be comfortable and familiar;

Will give us the final results effectively (quickly);

Will be an open system and will let us integrate with the different databases controlling systems.

For the reason that informatization of securing process of the national security bears a long-term nature, the system “Didgori” is under development and depending on the situation, it gives opportunity to realize efficiently the conformable changes (in classification of decision task and others). Therefore, the putting this system in action, its next modernization needs to carry out of the continuous work, relatively must be determined the priorities of modernization of system “Didgori” - the system of strategic analysis and global modeling - and on its basis, for supporting the securing of national security, the priorities of necessary works and measures for forming the system of special destination, which is built on modern informational technologies.

National Security problems are caused in different spheres of the social life. Opportune revelation of the characteristic features of these processes can provide formation and realization of the far-sighted decisions that are oriented for influence against them. For this time, let’s view concrete example of that what kind of analytical information’s accumulation has to be done in the system “Didgori” for the formation and realization of the far-sighted decisions in Georgia’s Energy Security sphere.

#	Analytical information	Kind of information	Activity of entrance into the system
1	Strategic plan of the country's ensuring with energy carriers, methods of its realization, course, analysis, evaluation.	<i>Inquiry</i>	<i>Once in 6 months</i>
2	Formed situation in country's energy (thermoelectric power stations, hydroelectric power stations, use of the energy of wind and sun, baseline high tension's power grids, the system of providing big cities with energy). Mutual picture, urgent measures and necessary resources for passing them.	<i>Regulation</i>	<i>Once in 3 months</i>
3	Provision of country's defense and vitally important objects by electric power. Analysis, evaluation.	<i>Regulation</i>	<i>Once in 3 months</i>
4	Natural energy supply existing in the country. The politics of its use	<i>Inquiry</i>	<i>Once in 12 months</i>
5	Connection with other countries' power system. Their meaning, conditions and perspectives of receiving (giving back) electric energy.	<i>Inquiry</i>	<i>Once in 6 months</i>
6	Financial situation existing in the power system, control of electric power expenditure and working up of the mechanism of expended power's price, their realization and necessary measures for it's certain fulfilling. Mutual condition, analysis, evaluation.	<i>Regulation</i>	<i>Once in 3 months</i>
7	The analysis of situations and events that are dangerous for the country's security in the power system, evaluation. Manufacture of possible decisions.	<i>Extraordinary</i>	<i>Immediately</i>
8	The supply of coal in Georgia. Condition of active or former exploitation coal-fields, analysis, evaluation	<i>Regulation</i>	<i>Once in 6 months</i>
9	The strategy of use of coal supply existing in the country. Possibility of its use for the improvement of the country's heat-and-power engineering's condition. Plans, ways of its realization.	<i>Inquiry</i>	<i>Once in 6 months</i>
10	Possibility of use of coal like fuel by strategically important objects. Condition, ways of its realization, evaluation. Manufacture of possible decisions.	<i>Regulation</i>	<i>Once in 6 months</i>
11	Prospecting of natural gas fields in Georgia, evaluation of their reserve in standpoint of the improvement heat-and-power engineering condition.	<i>Inquiry</i>	<i>Once in 6 months</i>
12	The strategy of natural gas use in Georgia, condition of mastering the fields. Analysis, evaluation	<i>Inquiry</i>	<i>Once in 6 months</i>
13	Possibilities of receiving natural gas from other countries. Condition, evaluation.	<i>Inquiry</i>	<i>Once in 6 months</i>
14	The condition of natural gas net in the country and readiness to supply population with natural gas. Securing of its reconstruction, examination and checking up of the population safety. Condition, analysis.	<i>Inquiry</i>	<i>Once in 6 months</i>
15	The condition of supplying vitally important objects with natural gas.	<i>Regulation</i>	<i>In 3 months once</i>

16	Financial situation of "Saqgaz". Analysis, evaluation. Manufacture of possible decisions.	<i>Regulation</i>	<i>Once in 3 months</i>
17	Prospecting of fuel fields in Georgia, evaluation of their reserve from the standpoint of improving condition of the country's heat-and-power engineering.	<i>Inquiry</i>	<i>Once in 6 months</i>
18	The plan of creating the reserve of fuel in the country, ways of its realization. Condition, analysis, evaluation.	<i>Regulation</i>	<i>Once in 6 months</i>
19	Supplying country's vitally important objects with fuel. Analysis, evaluation.	<i>Regulation</i>	<i>Once in 3 months</i>
20	Creation of strategically important reserve of heat-and-power engineering	<i>Regulation</i>	<i>Once in 3 months</i>
21	The plan of heat-and-power engineering State concern's action in especial situation (military operations, calamities and etc.)	<i>Extraordinary</i>	<i>Immediately</i>

As a result, it can be said that the presented model of mastering of the informational area, and of its usage in the political sphere as an example of informational-analytic securing of the National Security of Georgia. This is a clear, evident example of theoretical research of the technologies of informational analysis and informational prognosis and of its usage in practice, which on the whole is the unity of sources of information receiving and handing over, of its working out, keeping and reflecting, special automatic system based on original technologies of prognosis and informational analysis, in which practical functioning supports informational-analytic securing of the process of firm integration of Georgia in the European family.

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## European Perspectives for the Western Balkans

Oana-Antonia Colibasanu\*

**Abstract:** Having been, not long ago, controlled by the Soviet Union, the Black Sea region has become, today, a geopolitical attraction for both the United States and the European Union.

While countries in the region have started to become pro-European, the Union seems to have changed its bilateral policy approach to a more regional approach. The political swift has done some history in the case of the Western Balkans, where the EU has first tried its regional approach with a bilateral flavor. While the conditions of sets and rules applied in the case of the Western Balkans states are ready to be used, in the case of the Black Sea bordering countries that are not yet accessing the EU, the events in the Balkans could easily set trends within the Black Sea region.

European geopolitical, economic and security interests demand clear answers to questions such as: “how will the dual EU’s approach differ from the approach used in the case of the Western Balkans?”, “What are the special features of the region that the Union should take into account?”. In order to properly answer all these, the EU has first to answer the question “Why the Black Sea region?”

### *A history of interests – the Black Sea region*

Touching the borders of the three ancient civilizations, and shaping their history throughout centuries, the Black Sea is not only a place where the European, Eurasian and Middle Eastern values meet, but also the crossroads of competition between the three. The place where East meets the West, where European customs mix with the Oriental ones, has always been viewed as an essential spot for area powers in their geopolitical strategy, whether these powers were Eastern or Western. Shaping cultures, the waves of history have exercised a great influence on the peoples’ minds and hearts. Being geographically at the edge of the three continents, at the crossroads of cultures, the region has kept stories that influenced and still influence peoples’ lives.

Ever since the Antiquity, the Black Sea was the connection between the West and East, serving not only the commercial interests of the merchants but also the first geopolitical strategies of powers both sides. A sensitive point in the commercial routes of all times, it became a strategic region for the Greeks, the Venetians and the Genoas in the Middle Age. Then it assured the Ottoman Empire the resources and the basis needed for a further expansion to the East and North. Ever since Alexander the Great of Macedonia sailed it to the East, the Black Sea served as a bridge between cultures and influences.

The so-called “Silk Road” was an active route even before it received the name that made it so famous, from the German scholar, von Richthofen in the nineteenth century. Even though no single route was taken, they all passed through the Caucasus and then sailed the Black Sea for the West. The Silk Road was not a trade route that existed solely for the purpose of trading in silk; many other commodities were also traded, from gold and ivory to exotic animals and plants. Of all the precious goods

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\* PhD., World Trade Center Association

crossing this area, silk was perhaps the most remarkable for the people of the West. Probably the promoters of the Silk Road, the Romans have “used” the Black Sea at its full potential, not only strategically and commercially but also culturally, through their system of colonial administration. The activities based on sharing values and spreading culture were continued by migratory peoples, by warring peoples, by merchants, by religious missionaries and all others that sailed to the East and to the West in searching answers to their questions.

The Russian, the Persian and the Ottoman Empires first divided the region upon their interests in the area from the earliest time of modern history. The three have either tried to minimize their strategic risks and secure their borders or transform the region into a strategic stake. It is the way that the politics for the Black Sea region have ever been, as the place has always been the strategic equilibrium between the Mediterranean powers and the ones dominating the South of Eurasia (nowadays Russia), every single major actor on either the East-Mediterranean or the Eastern European stage feeling the need to control the region.

Towards the end of the XX century the Black Sea, until then a stake in itself changed its role and became ‘appendix’ for the Caucasus. The shift was caused by the discovery of the new resource that drove the world to the new and modern era: oil. The nineteenth century was the century when a new political and economic power arose: the Great Russia - a power that felt the wealth within and bordering its lands. But the policies of Russia weren’t the only ones that were heard or felt in the Caucasus and the Black Sea region. The multinational companies of the XX century were attracted by the regions richness and helped or concurred Russia in stressing its policy: Royal Dutch Shell, Nobel Brothers Petroleum Production or Rothschild family businesses are just few examples. This was the time when Caucasian oil represented 30% of world trading oil.

The strategic meaning of these resources was evident in both world conflagrations in the XX century. In the summer edition of the New York Times of 1918, it was clearly shown that the number one priority for the Allies is the petroleum fields in the Caucasian region. Germany wanted, at the same moment in history, to control the Baku region but that wasn’t achieved as Turkish powers and then Russia secured their influence in the area. During the Second World War, Hitler highlighted the need to control the Caucasian oil in order to fuel German energy for a brighter future.

Talking about the Caucasian region, one cannot forget to take into account the fact that the Black Sea region is the gate that the West has always used. The Cold War era brought Russia control of the region, the USSR bordering the Northern and Eastern side of the Black Sea. The end of the Cold War and the beginning of the XXI century brought changes on the international market that influenced and were influenced by the political changes in the region. The US started to be more and more interested in the area, the independence and democratic waves started to go beyond the western side of the Black Sea.

The current trends on the energy market created the premises for the *Strategic War*, a peaceful “conflagration” between the powers that are fighting for controlling the strategic resources of the world. Taking into account this context, the Caucasian and the Black Sea become very important. When *commenting* the strategic war in this region, we have to take into account the nature of strategic resources that maybe controlled in the area. This would be the natural gas provided by or through the region. Of course, oil

production cannot be ignored as the trends in geo-economics shows us these days. Therefore, states here could be considered under two determinates: *resources on territory* and *routes on territory – producers and transit states*.

The West, in this particular case, wants control over the energy routes that link it to the eastern energy sources to assure the western economies of security. The exports from the area to the EU have been fraught more than once by the political problems and “frozen” conflicts as well as the terrorist “attacks” over the pipelines. Taking into account the importance of energy deliveries - on time - for the western economies, both the routes and the sources need to be secured. But security for the West is hard to achieve in an area characterized by such a complex situation – not a political unity in place, not a cooperative and “friendly” environment, not the same accessibility to resources and not an equal status regarding the role that each state could play in the region.

Making a quick survey of the statistics we may conclude that the net producers in the area are only two of the eleven states: Russia and Azerbaijan. Having an industry concentrated on the extraction of oil, natural gas, coal and metals, Russia is the main actor on the scene of energy market. With a daily production of over 9 millions bbl and resources involved in production of 69 billions bbl, Russia is going to dominate the market even in the future, as it is thought that undiscovered sources of that will equal Russia to Saudi Arabia in oil production. If Russia is on the second place among the world’s oil exporters, it is the first gas producer in the world, with an annual production of 587 millions cm<sup>34</sup> and total reserves amounting 47000 billions cm. But the real advantage of Russia is the capacity to control the energy market and through it the western economies dependent or partially dependent on Russian energy exports. The dependence problem of the West is even bigger when we think that Russia establishes the prices not taking into account the international market trends but its internal – often political – factors.

Even more important than the production is the means of transportation from sources in the Caucasian region, and especially Russia to the Western side of the Euro-Asian continent. The insecurity on the way and the hegemonic position of Russia create a demand for alternative routes from other sources, like Azerbaijan or the Middle East in order to alternate and this way diminish Russia’s power on the energy market. Anyway, as Middle East, is even more insecure than the Caucasian area, it is certain that the Black Sea region will remain on the long term a strategic place for the European energy market.

Taking into account the recent and current events in the Middle East, the oil market moves its eyes to the Black Sea and Caspian region, where Russia is still having the major influence and US is trying to make its power felt through military bases bordering the shores and diplomatic speeches toward peoples living the area. As the USSR disintegration left some of the conflicts in the region unsolved and these have become now “the frozen conflicts,” the US is not only seen as the protector of its business but also as the protector of the NATO security issues - something that indeed serves US interests well. As the main two powers seem to have a silent fight over the region, the EU – probably the one that should be the most concerned and interested in

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<sup>34</sup> Cubic meters

its very important neighboring area, is drafting proposals for future action plans and is discussing the neighborhood policy as the only incentive it could offer for the states in the region. Of course, diplomatic events do happen in the region and the game continues, as the process of EU's policy drawing does. What it is certain, though, is the fact that the region will continue its destiny as a place where interests influence and draw up history, culture and business.

### ***The EU and its policies toward the Western Balkans and the Black Sea region***

Once a six countries' club, lying between the Elbe River and The Pyrenees, the European Union is now embracing 25 member states from the Atlantic to the Aegean and probably soon to the Black Sea; from Africa's shores to the Arctic Circle. But the vision of Europe is not yet complete: there are some strategic gaps that highlight the two regions that have always been a challenge for the Western powers of the old continent – the Western Balkans and the Black Sea region. Characterized by political and economic instability, sharing experiences of violent conflict and states that struggle to fulfill their core functions, the two regions have recently taken significant strides toward Europe. But this is all happening at a time when the EU's internal problems threaten to postpone future rounds of enlargement indefinitely.

Therefore, both regions, the Black Sea and Balkan states – in differing degrees, have a new question of strategic importance: how long will the “pause” last? What exactly is on the EU agenda and what is not? Can the conditionality machine that was and is still working on the Balkans be applied for the Black Sea region? While several Black Sea states are on the way to EU integration, the small sense of regional identity, the specificities of the region, the fact that there are still frozen conflicts waiting to be solved and high potential for state failure, the area is less certain to be anchored on a future path towards Europe.

Both regions occupy geographic areas that are not only in the neighborhood of EU, but also bridge the Old Continent to the critical regions of the Central Asia and the Middle East. So, the geopolitical importance of the regions cannot be overestimated. In addition to this, the Black Sea region has also a great economic importance. If the Balkans has great importance considering the commercial transport routes from the West to the South of the Continent and the Mediterranean Sea, the Black Sea has a great importance because of the energy routes that fuel the Western economies.

A comparison between the two could therefore offer the theoretic basis for thinking that the EU could one day soon apply the same conditionality for the Black Sea region's states that it has applied for the Balkans' states. The similarities in terms of risks and challenges could be more than appropriate to compare the chances for both regions to become parts of the EU in the future.

All states in the regions are transitional states, where economic and political transformations are still incomplete. If fragile states are to become more stable in the Western Balkans where the independence and constitutional status of national states are the main problems, in the Black Sea region these problems are more acute. In Moldova and several other states of South Caucasus for example, the weak governance is most of the times accompanied by threats to territorial integrity and conflicts' escalations. Even in states like Ukraine where direct threat to territorial integrity is absent, the economic underdevelopment and unconsolidated democracy are threat to state's stability.

Throughout both Western Balkans and the Black Sea region, the inadequate rule of law mechanisms have allowed corruption and organized crime to flourish while ethnic tensions threaten to escalate into conflicts, raising in some cases fundamental questions of national security. Of course, seen from a different perspective, the glass could be considered half full as states in both regions have made progress toward the establishment of market oriented institutions and of democratic states.

A condition of joining the Euro-Atlantic organizations is the cooperation between states in the same region or the same situation at a moment in time. Cooperation in both cases is difficult if a regional identity is not developed. While in Balkans, even if the national entities rejected at first the “Balkan” identity, they have focused later on the “Southeast European” identity and have managed to create a cooperative environment in the region, the regional identity in the Black Sea is less developed and has only recently gained some support and dynamism. The Black Sea Economic Cooperation established in 1992 to promote trade and economic integration among the Black Sea national states, highlights some of the problems in the regions: first, the member states have different relations with each other with the World Trade Organization, and there is no possibility for a free trade area zone to be formed in the near future; second, some of the member states in BSEC are either already member states or accession states to the EU. Some positive changes could nevertheless be observed in the dynamics of the BSEC recently as it has expanded its field of activity to tackle issues such as organized crime, security, visa facilitation and transportation networks. Also, the Community of Democratic Choice established in December 2005, upon the initiative of the Georgian and Ukrainian presidents, Mikhail Saakashvili and Viktor Yushchenko, focuses on the promotion of regional stability, economic prosperity, and democratic values. Romania and Bulgaria are also promoting the Black Sea regional integration and they promise to carry this foreign policy interest into the EU when they become members. All these attempts in the Black Sea and the frameworks of cooperation already in place and active in the Western Balkans have the power to strengthen the linkages between the Western institutions and the regions, creating the chance for the Euro-Atlantic to create positive strategies for both geopolitically important regions.

The sovereignty of some of the states in the Western Balkans and the Black Sea region remain in dispute even after these states have achieved independence and international recognition. The not yet established status of Kosovo is a critical issue for stability in the Balkans now, after the independence of Montenegro from Serbia. Actually the Montenegrin independence could set new trends in both regions, as frozen conflict is present in the Black Sea region as well. Relations between Armenia and Azerbaijan remain in tension over the unresolved conflict in Nagorno-Karabakh where armed conflict lasted from 1990 until 1994. Nearly 18% of Georgian territory can't be controlled by the Tbilisi authorities, while secessionist movements in Abkhazia and South Ossetia are still very much present. The territorial integrity of Moldova continues to be threatened by the unsettled conflict over the self-proclaimed Trans-nestria Republic.

As in the case of the Western Balkans, the international community always wanted to contribute to the resolution of frozen conflicts in the Black Sea region. The OSCE has played a central role into trying to solve the Nagorno-Karabakh and the Trans-nestria conflicts and the European Union role has increased both in South

Caucasus and Moldova's cases. Russia is the global power that has had a major role into stabilizing the conflicts in its Near-Abroad, and therefore, its influence over the Black Sea region must not be forgotten. However, all the Black Sea conflicts are neither active nor resolved – they stay “frozen” – and threaten to re-escalate into violence.

That is why it is important to look into the trends that the Montenegrin independence might set both in Western Balkans and the Black Sea. The most obvious beneficiary of Montenegrin independence would be Kosovo, who is already in talks to win its own independence, a certainty with only specific time and terms to be worked out. But Nagorno-Karabakh, Abkhazia and South Ossetia, claiming political independence and enjoying de facto independence for over a decade, could seek to use international institutions to formalize this claim. Nagorno-Karabakh is the most likely to move in this direction, with its easily defensive mountainous territory affording direct access to its important ally – Armenia. Abkhazia, which has defeated Georgia on multiple occasions, is the second most likely to succeed in gaining independence. South Ossetia is unlikely to prove successful, as it lacks the military power of Abkhazia and the geography of Nagorno-Karabakh, and the only support is North Ossetia and ultimately Russia – both not so willing to help the South Ossetian struggle. Transnistria, another potential to independence, is also unlikely to achieve it and its neighbors don't favor its independence at all. Back into the Balkans, Serbs in Bosnia and Macedonia, although willing to gain some independence, have even more obstacles as the European forces and UN staff is stationed on their territory is tasked with preventing any secessionist moves. So, not only the Western Balkans influences the Black Sea region, but the future of both regions is highly important for the Euro-Atlantic states as influences their security.

Conditionality in the Western Balkans has always been more exigent than any other cases and it has brought a new idea, not yet born but seeable at the beginning of the EU's enlargement: regional cooperation as a precondition to EU accession, along with a differentiated treatment of each national state, taking into account each candidate's economic and democratic progress. It has therefore developed what I call a *regional policy approach with a bilateral flavor*. The moment the Western Balkans accession was question was the moment that the EU started its internal struggle, developing the monetary market to be able then to develop a political union. Although Europe has passed some difficult times, it hasn't renounced to its political declarations, envisaging that all the Balkans will become full members in the long run, even if the time perspective is still beyond the horizon. The Western Balkans, upon the incentives given by the EU, has made some progress in terms of democracy and market oriented economy, and has followed the framework of regional cooperation, even if ethnic groups and entities interests have most of the time advocated independence.

As stated above, the Western Balkans and the Black Sea region are comparable, but the challenges, the risks and also the benefits differ for the EU, and for the others international external powers, from one region to another. Let's not forget that Iraq, Afghanistan and Iran are now topping the list of challenges the West is facing these days. Let's also remember that terrorism is the highest risk the world is facing today. It is also important to stress that with the new movements into the Middle East, the West – not only the EU, but also America – needs to seek to diversify energy supplies away from Saudi Arabia and Persian Gulf oil. Therefore, even if EU would approve all Eastern enlargement to the benefit of the countries that are most prepared to start the

accession process, it could not put bilateral relations above regional interests at this moment in history. A regional view not only best serves the EU economic and non-economic interests, but it also reduces the possibility of future internal problems due to a too large enlargement, considering the current problems of the Europeans.

The experience the EU had in Western Balkans could help Brussels think more strategically about the region, for which it has developed, until now, three different policies, grouping the countries taking into account mostly the existing bilateral relationships: the enlargement process towards South-Eastern Europe and Turkey, the European Neighborhood Policy – embracing Ukraine, Moldova, Georgia, Azerbaijan and Armenia, and the EU-Russia relationship which aims now at a ‘strategic partnership’. It is suggested that EU should focus on promoting a comprehensive regional synergy plan for the Black Sea, basing it on the priority sectors for the region and the Union.

The policy of the EU that is clearly suggesting that a regional engagement on cooperation should focus on the key sectors for the countries in the region, but also for the Union itself. This way Europe could encourage cooperation while sustaining its own security interests in the region. Though, the EU itself has talked about a regional synergy that ought to be implemented in the Black Sea, this remained only a plan, with not much done in that direction. But as the moment demands, this plan could be further developed and, avoiding an engagement for a new enlargement, it could promote European democratic and market oriented values into the states long affected by communism.

I will further refer to the “priorities” set by the EU, so that I may show the actual possibility of a cooperative plan to be implemented. The first key sector is the environment. Even if a high degree of institutionalization has been achieved by the Black Sea states that started their cooperation on the matter, the various programs and mechanisms developed under different commissions, lacks a precise and effective coordination. The Black Sea Strategic Action Plan and the DABLAS Taskforce launched by the European Commission in 2001, the main ‘instruments’ in the environmental sector, have to be translated into a workable, unified agenda for implementation. In other words, the DABLAS has to provide the way to translate the Black Sea Strategic Action Plan into actual projects. While the general framework has been set, with the EU’s help, the fishery sector that poses some important environmental but also economic challenges lacks a common view – even on paper. While Romania and Bulgaria accepted the Common Fishery Policy acquits, the other states should soon start their cooperation on the matter, being supported somehow by the EU.

Probably one of the most important sectors in the Black Sea region is transportation. Very important for economic development, transportation in the Black Sea states is hindered by factors like low road safety, blockages, and low security in conflict-ridden zones. There are few initiatives to make things better in this sector: the first, the Transport Corridor Europe-Caucasus-Asia (TRACECA), then the Baku Process initiated by the European Commission, which acknowledged the importance of TRACECA back in 2004 and the third, the High Level Group of Experts of the EU 25 working on the extension of the Trans-European Networks to the neighborhood states. All these initiatives have highlighted three regional priorities: infrastructures, interoperability (lowering the non-physical barriers to transports) and intermodality (multimodal logistics – transport facilitation from a mode of transport to another).

But commercial transport is, in the Black Sea region is also equivalent with the energy routes. This is the sector the EU is most interested in, as its geo-strategic implications are most visible here. While the United States, has long been involved in projects to secure energy routes via the Black Sea region, the EU is starting to realize the importance of developing an external energy strategy that incorporates a stronger focus on transport corridors involving Black Sea states and a proof of that is the fact that a Green Paper on Energy has been issued this year and is containing statements confirming this objective. But this adds little on the role of the Black Sea Region in the EU energy strategy, INOGATE – the Interstate Oil and gas to Europe, remaining the only instrument to coordinate the cooperation in this sector. The will to diversify gas and oil transit from Russia dominated routes is evident. The Baku-Tbilisi-Ceyhan oil pipeline, that transports oil from Azerbaijan via Georgia and Turkey to the Mediterranean Sea, was officially opened in 2005. Some other projects have been proposed and those would involve transportation via Black Sea and Balkan states. An implementation agreement for a proposed Constanta-Adriatic pipeline was signed in February 2006. As far as gas transportation is concerned, the EU supports Nabucco pipeline project that is designed to transport gas from Caspian Sea through Turkey, Bulgaria and Romania reaching Austria and probably other countries in the Central Europe.

The Black Sea region as an energy supply route has numerous advantages for the states in the area. Revenues from pipeline projects, if managed correctly and transparently, can spur economic development and cooperation between the countries in the Black Sea region and in the Caucasus. If certain projects involve building pipelines in the Balkans, then the cooperation and economic development would spread in this area as well. It is expected that the cooperation between the Euro-Atlantic powers and Russia be intensified, given the interests that the Western countries have in the region and the fact that effective projects can only be conducted with the EU's or US help in the near future.

Another key issue for the EU in the region, and for the countries themselves, is the internal security sector. Including migration, trafficking, border management, crime, terrorism and all others on the matter, the sector is highly important for the EU, as now Europe needs its borders to be secured more than ever. It is clear that cooperation between countries is always best when we talk about international security. Even so, at the moment there are only few initiatives in the region and most of them consisting in bilateral agreements and action plans (e.g. Ukraine – Moldova; Armenia-Azerbaijan-Georgia). It is therefore clear that the European Union needs to give a higher attention to this 'sector' that would not only serve its own border interests but also would give a new impulse on regional cooperation.

The last but not the least key domain I bring to your attention is democracy. Human rights protection laws, media freedom, transparent economic environment, rule of law are the stake of a future democracy. Few steps have been made, as the 'rose' and 'orange' revolutions show. A more philosophic term, democracy involves maturity of the persons living inside the borders of a country and it involves a culture of freedom that the peoples who lived so long under communism regimes don't have. Given the situation of the frozen conflicts in the region, and effective conflict management in the area would help a lot the development of not only democracy but also economy of the countries involved.



The sectors I highlighted here have also been viewed as key sectors for the development of the Western Balkans for the last decade. There is of course, a big difference between the two regions, but, even if the results were not so wonderful in all cases in the Western Balkans, the model is sketched and it can be considered as such for the Black Sea region, too. The European Union should draw its policy for the region and start acting instead of reacting to other's activities, it really wants to effectively serve its members.

## **Conclusions**

For more than ten years, the Black Sea region has been characterized by various attempts to create an effective regional cooperation. This has not happened yet as there were some powerful factors pushing into a different direction than cooperation: first the low level of interest of the countries in the area for regional affairs, second the prickly bilateral relations between some of the states and third the Russia's affairs and involvement in the region.

The more recent developments such as the "colored revolutions" in Georgia and Ukraine, the 2004 NATO and EU enlargement, the European Neighborhood policy being established and last but not the least the trends on the energetic market, have made the need of cooperation evident. Both United States and European Union having a strategic interest into the region cannot ignore the need for these countries to cooperate regionally. Once the EU is growing geographically with the accession of Bulgaria and Romania, it will have even more geo-strategic interests in securing and better cooperating with the states in the Black Sea and Caucasus regions.

The similarities found between the Western Balkans and the Black Sea region advocate for a comprehensive and synergic EU initiative, having the model of conditionality applied by the Union in Balkans. Nevertheless, adjustments and improvements of the model have to be done, taking into account the specificities of the Black Sea region and the European strategic policy for the region. That is why the Union has to look deep into the problems of countries bordering the Black Sea and then design an appropriate plan to create a cooperative environment in the region. Key sectors have to be examined and analyzed in each country in order to create or enhance cooperation between states in the region.

Frozen conflicts in the region need to be a top priority for outside actors like United States and Europe as these conflicts incite instability and breed corruption and organized crime. It is certain that a long term peace and stability needed to advance reform in the region will require either a reduction of Russian influence or a change in Russia behavior. The past experience suggests that a policy of engaging Russia intensely and protecting the Western interests may be the best way to proceed.

One fact is sure: there must be developed an Euro-Atlantic strategy for the Black Sea region to ensure not only Western interests but to also help reforms in the area. Projecting stability and security in these countries is the next step in building an Europe "whole and free" and securing the West eastern frontier with the Middle and Far East and the internal European energy market.

## **Implications of Globalisation on European Security: Black Sea Region in the Context of the Future Eastern Enlargement**

**George IVANIASHVILI\***

As globalisation is forcing the European Union in the early 21<sup>st</sup> century into a global orientation which transcends the original *raison d'être* of European integration, Europe is challenged with nothing less than re-inventing itself as a global player and is turning from an internally-driven object to an externally-oriented subject of the world politics.

Security is a more contested idea, but may provisionally be understood as the protection of a people from external threats, and includes arrangements for defense and deterrence. Now while European integration generally refers to the development of European unity among the Twelve<sup>35</sup> in the context of the Treaty of Rome, European security is generally considered within the context of the North Atlantic Treaty. Thus the transition from the familiar debates in the field of European security, where integration meant no more than international cooperation, to a new debate in the context of the process of European political integration, involves the coming together of historically separate traditions of thought.

While the transatlantic security partnership will remain the most important pillar in a global role for Europe, the European Union will have to develop a much higher and ambitious profile for relating with the other regions of the world. Europe's *raison d'être* will increasingly be measured by the degree of security and by European contributions to global order-building.

The latest round, completed in May, 2004 with the accession of ten new members,<sup>36</sup> is even more problematic since it takes the EU into a completely new geography and a set of neighbors with which it has so far had limited experience. New rounds (expected to be completed with Romania, Bulgaria and Turkey), enlargements will extend the EU even further to the East—to the shores of the Black Sea. This will make EU a Black Sea player, sharing its riches as well as its problems with instability-prone states. Taken together, these enlargements will transform the shape of the European continent, drawing borders between the EU and non-EU Europe more or less permanently. As the EU is fast approaching its final borders, not only the member states but also those left out are looking apprehensively to see what the implications of enlargement will be and how the EU will proceed with its external relations. How the EU handles being transformed from a Western European institution to a Europe-wide entity will determine future security developments across wider Europe, including non-EU Mediterranean, Black Sea and South Caucasian countries.

The collapse of the Soviet geopolitical system after the end of the Cold War brought about new strategic alignments in Eurasia. Situated at the crossroad between Europe and Asia, as well as Russia and the Middle East, and linked to southern Europe with access to the Mediterranean and Central Europe, the Black Sea is more than a

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\* Chairman, The International Centre for Social Research and Policy Analysis

<sup>35</sup> Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the United Kingdom

<sup>36</sup> Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia

region of local strategic importance, representing ‘an axis of increasing geopolitical importance and security in the enlarging European Union’.<sup>37</sup>

With its mosaic problems, and their potential consequences, the wider black sea region is one of the most important challenges that the enlarged European Union will face. So far, the EU and the Black Sea Region are linked together by a member state (Greece) and accession countries (Bulgaria, Romania and Turkey). Once Bulgaria, Romania and Turkey become EU members, the Union will directly border the Black Sea, accounting of half of its coastline. The question now is not whether but rather when the EU will become a Black sea Power. In that case it will have to develop policies for regional issues and deal with threats, because it will be virtually impossible to prevent various crises around the Black Sea from affecting EU Europe. Finding the ways to prevent destabilizing factors from arising at the regional level and dealing with them before they affect the EU area will be a trial for the enlarged Union.

The geopolitical importance of Black Sea Region stemmed in the 1990s because of their ethnic, political, economic and military instability. The first decade of the Twenty First century provides new opportunities of utilizing the economic potential of the Black and Caspian Sea, which are really indispensable in conducting the stability and developing prosperity of the Euro-Atlantic civic and security space eastwards.

Although the EU has so far consistently favored individual country approaches in the region, I think that it is necessary to develop a regional approach toward the Black Sea and enhance institutional linkages with regional organizations in order to ensure the smooth transformation of the troublesome states in the wider Black Sea region into viable and stable entities, and to facilitate their further integration into the emerging European architecture.

Since Turkey is an EU candidate country, EU will probably welcome Turkey’s role as a transit corridor as much as Ankara will. Transit and sale of energy resources, and gas in particular, are expected to provide a major source of income for Turkey and a tool by which Ankara will be able to build its position in the region.

Presently there are several gas pipelines connecting Turkey with the Eurasian deposits. The most important and the largest of them are Russian routes, including the Trans-Balkan gas pipeline and the recently built Blue Stream. A route connecting Iran with Turkey has also been operational for two years. The Baku–Tbilisi–Erzurum (BTE) gas pipeline has also been completed. It will transport Caspian (Azeri) gas to the Turkish market. However, routes connecting Asia Minor with the continent need to be established in order for gas coming into Turkey to flow to Europe. There are several such projects, and most of them are supported by the European Commission, as they will potentially increase the EU’s energy security and serve as a confidence building measure between Turkey and Greece, the Balkan countries and the post-Soviet area.

Since the end of the Cold War and the collapse of the Soviet Union, within the region, the Black Sea countries have created a multitude of intergovernmental and non-

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<sup>37</sup> EU Commission, Press Release, Brussels, IP/01/1531, 31 October, 2001. A political construction rather than simple geographical space, the Black Sea region includes riparian states (Bulgaria, Georgia, Romania, Russia, Turkey and Ukraine) as well as nearby states (Albania, Armenia, Azerbaijan, Belarus, Greece, Macedonia, Moldova, Serbia and Montenegro).affected by and affecting developments across a broad region from South-Eastern Europe to the shores of the Caspian.

governmental organisations and cooperation schemes. With the recent enlargement of the European Union, the region stands to benefit from the experience and stability of the latter. The Black Sea Economic Cooperation (BSEC) organisation, bringing together 350 million people in the area covering 20 million square kilometres, is the most comprehensive and institutionalised structure. Since its initiation in 1992, it has succeeded in creating an extensive cooperation scheme in one of the most conflict-prone regions of the post-Cold War World. Despite the number of ethnic-political conflicts the region has faced, the BSEC, with its wide-ranging interests and declared intention of cooperating closely with the EU, has been able to establish a permanent dialogue among its member countries towards mutual economic benefits.

Apart from enlargement-related issues, a number of existing concerns in the region link Black Sea politics to the European Union. First of all they are connected via the energy dimension. As European dependency on Middle Eastern oil and Russian natural gas continues, together with declining North Sea production, the safe and uninterrupted supply of new energy sources from the Caspian Basin through and around the Black Sea region assumes great importance. Consequently, the question of the security of Europe's energy supplies inevitably brings a number of related Caspian issues to Europe's doorstep, so that the national interests of European states are affected by region's instabilities and structural problems. Integration of the Black Sea markets into Europe will be a significant advantage from a purely economic perspective. But beyond that, threats to stability of the Black Sea region, an obvious gateway between energy rich Central Asia, the Caucasus and Europe without much alternative, would eventually affect European economies. Therefore, the EU is naturally interested in the resolution of conflicts in the region and in changing the code of conduct between regional countries.

A shared neighborhood implies burden-sharing and joint responsibility for addressing the threats to stability created by conflict and insecurity and EU should take more active role to facilitate settlement of the disputes over Palestine, Western Sahara and Trans-dnestria. In my opinion frozen conflicts in South Caucasus represent serious threat to the security and stability on European continent. If not settled those conflicts may provoke greater players Russia, Turkey and Iran to become involved. In addition there are many similarities between the Caucasus and the Balkans. Both are parts of Europe and most of the entities in each sub-region are politically committed to eventual integration in the EU. The one essential difference between the Balkans and the Caucasus is that the latter is either the home of, or the preferred conduit for, huge hydrocarbon and other resources of strategic value. In its resolution of 28th February 2002 the EP stressed the necessity for EU to play more active role in the process of conflict resolution in South Caucasus.

Since the tremendous political changes, which took place in Georgia in 2003, the European Community has been demonstrating to South Caucasus an increased attention, which has already been translated into the concrete policy initiatives. On 14 May, 2004 the General Affairs and External Relations (GAERC) Council in Luxembourg adopted a decision to include the three countries of the South Caucasus—Armenia, Azerbaijan and Georgia into the European Neighborhood Initiative, which marks a significant step for the territorial integrity into the European Community and strongly encourages to pursue the peaceful resolution of the internal conflicts. South Caucasian countries owing to their geographical position, history, culture and traditions, constitute a strategically

important region for the EU in terms of their common foreign and security policy as well as a genuine gateway to Central Asia. Stabilization of situation in the region, enhancing regional co-operation and more intense relation with enlarging EU represents main task of Georgia for a short - term period.

The EU has a strong interest in the stability and development of Georgia and this interest is to see reinforced, credible and sustained commitment toward democracy, the rule of law, respect for human rights and progress towards the development of market economy. This interest should facilitate greater EU political involvement in conflict prevention and crisis management in Georgia, so far as frozen conflicts in Abkhazia and South Ossetia represent serious threat to the security and stability on European continent. Peaceful settlement of internal conflicts will enable Georgia to enhance regional co-operation in different fields, which will be very important to create strong and transparent legal framework that will ensure the implementation of modern Western standards, investments and access to markets. Special importance should also be paid to ensuring poverty reduction, economic growth, establishing stable social protection system including the pension reform, reform in higher education and health care systems.

Georgia's integration into the European Union critically depends on adherence to the principles of democracy, human rights, rule of law, pluralism, and transparency, as well as on successful reforms, which requires systematic adoption and implementation of shared European values in all areas of governance and civil society.

Full integration into EU markets and society requires corresponding transport, energy and telecommunications networks. Georgia is actively engaged in programs realizing the above-mentioned goals through intense co-operation with its European partners. The efforts taken in this direction are mainly concentrated on establishing strong and sustainable transport and energy corridors and their effective maintenance by modernized telecommunication network across the whole region. These efforts are classified in the following three main fields: Transport Corridor Europe-Caucasus-Asia (TRACECA), strategic energy corridor (INOGATE) and telecommunication network.

As growing attention is being paid to the significance of global processes for an understanding of complex political, social, economic and cultural changes in the world, making progress in moving rapidly ahead through successful reforms should pave the way for the deeper European integration of Black Sea Region and the wider application of European models and standards in national realities.

Thus, due to its geopolitical location and its historical links with many Eastern communities Black Sea region may become a bridge between the East and the West, a mediator and disseminator of the Western ideas and security paradigms in large regions of the Eurasian super-continent.

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# **Banking System Comparison in Black Sea Region: Turkish and Georgian Example**

**Metin MERCAN\***

In many emerging market economies, the presence of banks has increased, especially during the 1990s. A banking system is very essential for growth of the economy in a country. At the beginning of 1990s, the Soviet successor states started to transform their financial sectors to meet the needs of the emerging market economies. One of many transition countries is Georgia. After 1996, Georgian banking system changed tremendously. The purpose of this paper is to compare two Black Sea Countries' banking systems. Turkey's banking system' adaptation to European banking system's is a good example for Georgia.

## **Introduction**

The objective of this paper is to compare the banking system development between Georgian experiment in transition banking since the country's break from the former Soviet Union in 1991, and Turkey's experience after financial liberalization in the 1980s. Building stable and sustainable financial institutions is crucial for swift conversion from planned to market economies, and for overall economic growth and technological advancement. Financial institutions perform unique tasks in the economy by providing liquidity to businesses and households by linking surplus holdings with deficit spending units. How successfully financial institutions perform these tasks will largely depend on the environment in which they operate, the policies the regulatory authorities follow and the ability of management to efficiently utilize available resources.

The Turkish banking system, like banking in many other countries, experienced legal, structural, and institutional changes as a result of the financial liberalization program in the 1980s. Prior to 1980, the Turkish banking system was a closed system and heavily regulated in terms of market entry and interest rates due to inward oriented economic policies. Furthermore, international capital movement and foreign exchange operations were subject to tight controls.(Kasman,2002)

Georgia was a part of the same state organism, which had a uniform system of economic and political institutions. The economic system of these republics began to change as a result of the reforms carried out at the end of the 1980s and beginning of the 1990s throughout the Soviet Union. All of the countries that emerged after the breakup of the Soviet Union were in similar economic straits; however, Georgia was among the countries that had and continues to have the greatest difficulty getting through the economic crisis connected with the demise of the system. The crisis is characterized by a substantial drop in GDP, high inflation, and a considerable budget deficit. This is illustrated in Table 1.

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\*Assist. Prof., Head of Finance and Banking Department, Faculty of Business and Management, International Black Sea University



**Trend of GDP and Inflation in 1991-2000 Table 1**

Georgia:	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
GDP growth	-20.6	-44.8	-25.4	-11.4	2.4	10.5	11.0	2.9	3.0	1.9
inflation	175.0	1,340.0	9,340.0	8,340.0	157.4	113.8	107.3	110.7	110.9	104.6
Turkey										
change	in	-5	7	7	7	8	3	-5	7	8
										6

Sources: National Bank of Georgia, annual report (1999) and (2000). International Financial Indicator

Georgia is an extreme example of economic collapse in the countries of the Commonwealth of Independent States (CIS), although it was one of the richest republics in Soviet times. The economic collapse after independence was exacerbated by civil war. According to official data, the national income dropped 80 percent in 1990-94. At the same time, the shadow economy grew significantly, alleviating, to a certain extent, the catastrophic drop in production. During the civil war in 1992-93, budget revenues declined to just a few percent of budget expenditures. Inflationary budget financing gave rise to hyperinflation, which exceeded 9,000 percent in 1993 and 8,000 percent in 1994. Inflation was halted in 1995-96; it was 163 percent in 1995 and approximately 25 percent in 1996. The decline in GDP was halted in 1995. In 1996, the national income rose by 10 percent, reaching 22 percent of the level of 1989. In that year, the budget deficit was held to 6 percent. Structural reforms were begun, prices were decontrolled, and privatization was accelerated. In the fall of 1995, a national currency was introduced (the lari), and—with foreign assistance—the exchange rate was kept stable. In 1996-97, Georgia embarked on the path of economic recovery. The economic growth rate was more than 10 percent, and inflation dropped from 14 percent to 7 percent. However, the Russian crisis slowed the pace of positive changes in the economy. Since the crisis, annual GDP growth has not exceeded 2-3 percent. A report prepared for the World Bank in 1996, Stijn Claessens distinguished two models of change in the banking sector of the post-socialist countries.<sup>3</sup> The first was based on the so-called new entry strategy, that is, the complete liberalization of the conditions for creating new banks, with the simultaneous spontaneous fragmentation of the old state banks, which were subsequently privatized or liquidated. The second model, which is called the rehabilitation approach, focused efforts on restructuring the existing state banks, their institutional development, and their subsequent privatization. In this model, the freedom to create new banks and fragmentation of the existing state banks were limited. Hungary and Poland are examples of countries that took this route. Georgia was one of the transition countries which used the new entry strategy. As in Ukraine, by the mid-1990s, 230 commercial banks had appeared in this small country. Large state banks were similarly privatized. In addition, three of the former state industrial banks were permitted to merge into one. As a result, while the banking sector was weakened overall, the role of state banks grew.

### **A Brief Overview on the Banking System**

In Turkey, there were 75 banks, of which 15 were development and investment banks and the rest were commercial banks. 75 banks had 7,370 branches there. That means approximately one branch for each 8,500 inhabitants in 1998. Turkey's financial system is bank-oriented and commercial banks are the dominant institution in the Turkish banking system. Because of less developed capital markets, the banks are the main source of funding for the industrial and commercial businesses. Although the newly developing capital markets are able to compete with the banking sector, banks are still dominant in the financial system, as in other developing countries' financial system. Investment banks specialize in underwriting securities. Development banks, on the other hand, obtain funds

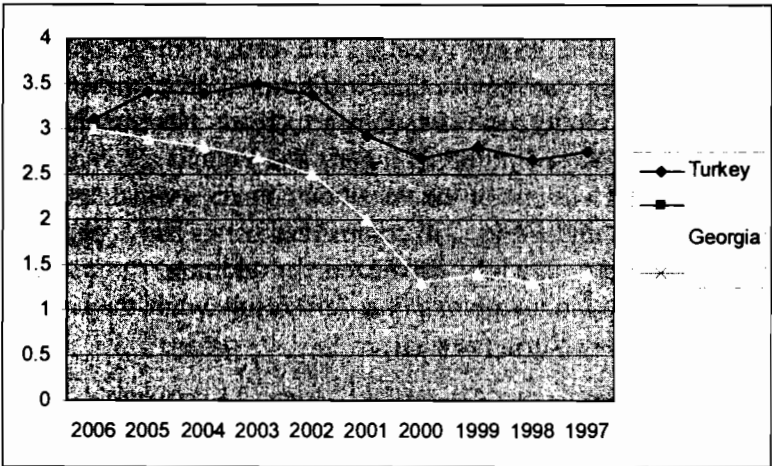
from the government or other international institutions like the World Bank. The acquired funds have traditionally been used to make medium and long-term loans to select industries. Three types of ownership exist in the Turkish banking system; state-owned banks, private national banks, and foreign banks. Four state-owned banks held more than 35% of industry's total assets in 1998 and controlled the bulk of the funds in the banking industry.

The Turkish banking system was a closed system and heavily regulated with respect to market entry and interest rates before 1980. To increase efficiency and create competition in the financial system, the Turkish government announced a liberalization program in January 1980. The main objective of this program was to establish a Western-type free market economy and competition. Most of the 1980s witnessed continues legal and institutional changes in the financial system. The banking system was deregulated and a new banking law was enacted in 1985. Figure1 shows the general transition and banking reform scores for Georgia and Turkey as measured by index of economic freedom. Most restriction concerning market entry and interest were eliminated. Opening the banking system to the foreign banks was intended to be a crucial element of competition. The new banks started to enter the market, and severe competition started in the first part of 1980. The number of banks increased from 43 in 1980 to 75 in 1998. See Figure2.

The number of banks operating in Turkey declined from 50 in 2003 to 48 in 2004. Of the banks operating in Turkey, 35 were commercial bank and 13 were non-depository banks. Of the commercial banks, 3 were state-owned banks, and 18 were privately owned banks.

The number of branches increased by 140 to 6,106 in 2004. By banking groups, the number of branches increased by 139 in commercial banks, and by one depository banks. (Turkey Central Bank Statistic)

Figure 1. Overall transition and bank reform (BR) scores



Source: index of economic freedom (<http://www.heritage.org>)

After declaring independence in 1991 Georgia experienced a particularly deep recession. From 1991 to 1994 GDP dropped by more than 70% (45 % in 1992 alone) while annual inflation raged at 7,487 and 6,473% in 1993 and 1994 respectively (Wang 1999). Transformation of recession is common to all transition economies. Output decreased, inflation increased and unemployment increased. There were two secessionist wars, including political turmoil retarded the economic recovery, gaining

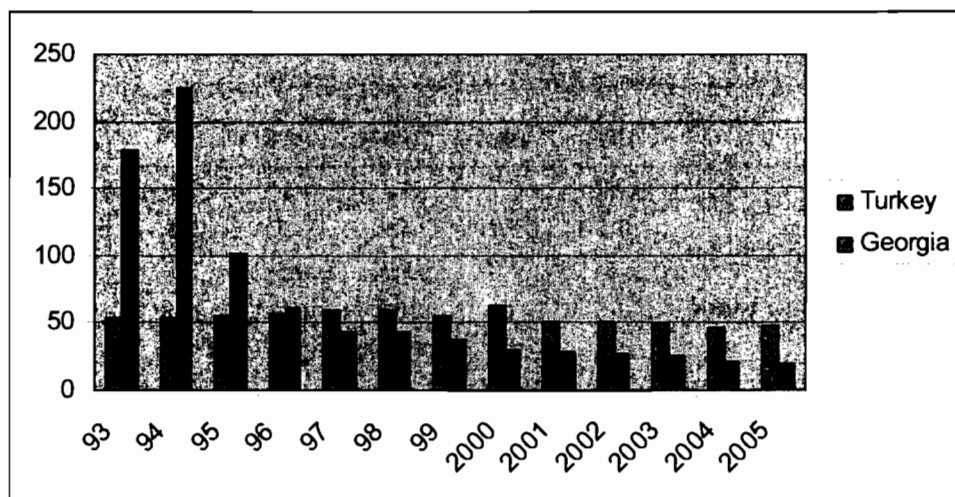
political stabilization by mid-1994, the country began to implement the program of comprehensive reform with external assistance from IMF, the World Bank, Technical Aid for CIS (TACIS) and others. GDP increased by 11% in 1997, 10 % in 1998, Inflation was only 7% in 1997, GDP 11,1 % recently (\$ 3,73 billion) GDP growth moderated to around 3 % in 1998 , partly as a result of the Asian and Russian financial system. (EBRD, Transition report )

### Banking stage in Georgia after 1997

NBG certified the United Georgian Bank and the Bank of Georgia in mid-1997. Reserve requirements were lowered and the capital adequacy standard was raised from 8 to 10% of total assets. As a result of the BCP and stricter regulations, 173 commercial banks (of 226) had vanished in less than 3 years. As noted by Kloc (1999), this was an unprecedented outcome among the nations of the former Soviet Union. As it is illustrated in figure2, number of banks decreased as stronger bank regulation was implemented.

Late 1997 brought the next stage of reform when the NBG announced a plan to gradually increase the minimum capital requirement for commercial banks to GEL 5,000,000 (approximately \$3,846,000) by the end of 2000. This measure aimed to further consolidate the industry by eliminating the smaller and weaker banks. Throughout 1998 the NBG was involved in revoking licenses of banks not meeting the new minimum capital requirements and other prudential regulations. Although initially stymied by a court challenge, the issue was resolved in favor of the NBG and de-licensing resumed. By the end of the year a total of 10 banks had lost their licenses.(Amaghlobeli, Farrell, Nielsen,2003)

Figure 2. Commercial banks in Georgia and Turkey.



Source: National Bank of Georgia (2001), Bank Association of Turkey

As it is illustrated in Table 2 an increase in the number of branches since 1995 in Turkey. This trend continued also between 1998 and 2005 , and the number of branches reached 7,370 by increasing 8 percent (551 branches). Especially, a significant increase is observed in the number of branches of the privately owned banks. Number of branches in Georgia increased steadily although there were dramatically decreasing trend in number of banks. See Table2.

**Table2** (Number of Branches in the Banking Sector)

	2000	2001	2002	20003	2004	2005
<b>Of Turkey</b>						
Commercial banks	6,419	6,795	7,340	5,949	6,008	6,228
State-owned	2,875	2,886	2,915	2,832	N/A	N/A
Privately-owned	3,240	3,429	3,764	4,393	N/A	N/A
Foreign banks	104	104	116	115	N/A	N/A
<b>Of Georgia</b>						
Commercial banks	208	206	199	201	162	159

Source: National Bank of Georgia (2001), Bank Association of Turkey

### Asset and liability of banks

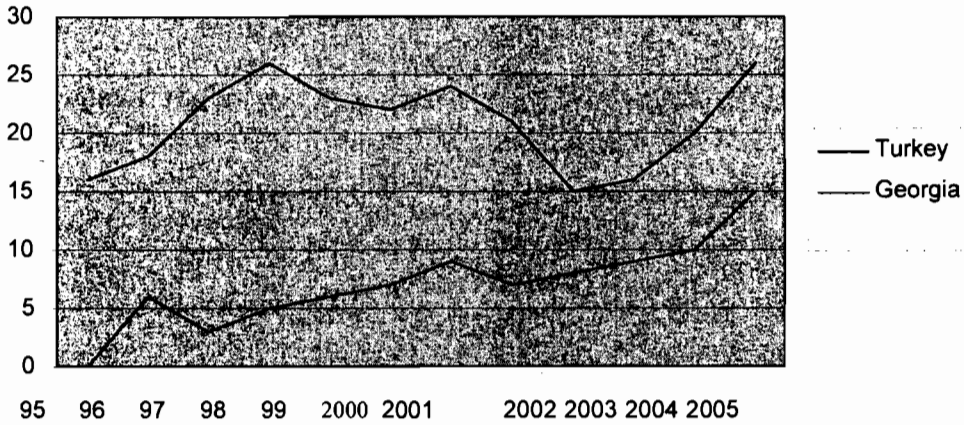
As shown in Table 3 and figure 3, between 1995 and 2000 the percentage of total bank assets held in loans decreased by almost 10%, while the percentage held in accounts with correspondent banks increased almost six-fold. As interest rate spreads were decreasing sharply during this period, commercial banks sought to secure non-loan sources of revenue involving currency conversion and especially money transfers (both domestic and international). Banks started maintaining multiple correspondent accounts with other banks in the country and abroad, which came at the expense of lending. On the liability side, a substantial increase in capital can be observed as well as a corresponding decrease in the percentage of demand deposits. As public confidence in the banks increased, both time deposits and household deposits increased more than six-fold. (Mercan, 2006)

**Table 3.** Asset and liability composition of the banking sector in Georgia, 1995-2000 (%)

	1995	1996	1997	1998	1999	2000
Vault cash	2.9	3.7	4.3	2	2.1	1.8
Required reserves	7.1	5.7	4.9	3.7	<b>5.5</b>	5
Foreign currency accounts	5	4.8	5.7	4.5	3.7	4.7
Accountswith correspondent banks	2.6	10	10.8	18.3	13.8	13.4
Debtors	2.5	3.5	2.9	3.1	2.6	2.3
Loans	64.2	50.6	50.7	48	50.7	55
Claims on banks	1.7	3.6	2.4	1	0.9	0.8
Securities	0.2	1.2	2.3	2.1	3.3	2.1
Fixed assets and premises	12.4	14.5	14.5	15.8	13	12.2
Other assets	1.4	2.4	1.5	1.4	4.4	2.7
<b>Total Assets</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: National Bank of Georgia (2000).

Figure3.Domestic credit to private sector as % GDP



Sources: International Financial Indicator

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# **Chapter IV**

*Black Sea Cultural Identity:  
Back to European Family*

## Georgian Identity and Political Culture

Tamara KIKNADZE\*

*There are two sides of the questions of national identity. On the one hand identity is a subject of reflection, i.e. the question is put consciously as to what is personality of Georgians, but if this subject belongs to a metaphysical sphere or demands an answer to the question as to what Georgians are deeply in the light of essence of history, there may exist no definite answer at all. If we take the subject into an empirical reality, it will be subject, on the one part, to historical research, i.e. research of its ethno genesis, on the other hand, it will be decided in the philosophical-ethnical and culturological cut, i.e. what am I as a historical being, what place I held in the past or hold today or may hold, or want to hold in mankind. A unity of the Georgian national identity determinants fails "to hold" uniqueness, because these features are generally human. The identity is expressed in our being itself, live self-experience, objectification of which will be equal to leveling. It's not a matter of determinants themselves, which are characteristic to other identities as well, but of the chaplet, which they form on mutual unity. The uniqueness is in the chaplet and not in individual determinants, in whatever peculiarity each of them may seem.*

*In order to define Georgian identity - one of the most important issue for political culture - we interview the following personalities:*

1. Akaki Kulijanashvili – Anthropologist, The Head of Department of Cultural Studies of Tbilisi State University
2. Lela Pataridze – Historian, the Senior Scientist of the Institute of History and Ethnology of Georgian Academy of Science
3. Zurab Kiknadze – Professor of Literature, Tbilisi State University professor
4. Lela Yakobishvili – Media Journalist, Culturologist, professor, The Head of Department of Media Technologies of University of Culture
5. Khatuna Maisashvili Press journalist, the founder and editor of the newspaper "The New 7 Days", lecturer of the faculty of journalism of the State University of Language and Culture I. Chavchavadze

- Questions: Basic features of Georgian national identity. History of the construction of Georgian national identity- Existence and content of mythologies, tales and narrations, which Georgian national identity bases upon- Self-representation of Georgian national identity in literature and mass-media. Structure and condition of Georgian mass-media.

- 1.1 Basic determinants of the Georgian national identity.
- 1.2 Priority determinants from the Georgian national identity basic determinants

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\* Prof. Dr., Dean, Faculty of Business and Management, International Black Sea University

*Anthropologist, Prof. Akaki Kulijanashvili divides the national identity into several levels: an anthropological character proceeding from geography, a religious factor, a historical factor, language, culture and an economic factor. From these a priority is given to language and rule of life, i.e. everyday life culture.*

*Namely, he mentions that – “anthropologically different types of Turkish and Slavonic origin directly border Georgia, which on their part differ from Georgian and in general from Caucasian ethnos. Georgians consider that Caucasians are anthropologically identical. By the way, an expression is established in modern Russian language “a person of Caucasian nationality”, which witnesses that not only Caucasians apprehend Russians as men with different structure; Russians themselves fix the same consideration. Anthropological identity is based on the experience of blood unity,” he concludes. We should mention that in this explanation the author makes one mistake, namely, Azerbaijanis, who are also called Caucasians in Russia, are anthropologically related to Turks, while for Georgians, Armenians and Azerbaijanis are apprehended as Caucasians beyond the Caucasus and not in the Caucasus, because according to the theory of the so-called “Iberian-Caucasian” languages group, Caucasian is only the languages united in that group of languages and, correspondingly, autochthonic ethnoses; bearers of these languages are a group of Kartvelian languages (Georgians, Megrels, Svans), Vainah group (Ingushs, Chechens and some ethnoses living in Dagestan), Adighei group (Circassians and kindred to them ethnoses, among them Abkhazs) and other small North-Caucasian groups (T.K).*

*According to the religious factor, in the opinion of Prof. A. Kulijanashvili, the Georgian national identity is based on orthodox Christianity. He explains the importance of this factor thus – “Georgian and Christian are apprehended nearly as synonyms in the consciousness of average statistical Georgian. This outlook is determined by history. Georgians and Georgia, an extreme eastern outpost of Christianity, had been permanently surrounded by non-Christian religions and after generations of Islam the history of Georgia has been the history of isolation from Islam”.*

*To prove vitality of history as the factor of apprehending the national identity, the author cites a myth, preserved as a tradition in contemporary Georgians, on continuing the ancestors’ deeds, immortality of these deeds. He observes that – “Average statistical Georgians experience historical heroes as their direct ancestors and each historical fact determines their contemporaneity or, in other words, as the ancestors take part in determining the destiny of the contemporaries.”*

*In A. Kulijanashvili’s opinion, language is a major determinant of identity in the consciousness of Georgians – “it’s difficult to attribute the Georgian language to any group of languages, it’s difficult to find any other language, to which the Georgian language has any likeness. It was clear for ordinary Georgians, who had everyday relations with different ethnoses. The group of Kartvelian languages involves Megrelian, Swan and Laz languages. Despite this, the Georgian literary and written language has performed a major function of the Georgian identity”.*



*A second place, according to its significance, is occupied by culture, as a rule of life. In the respondent's opinion – “a rule of Georgian life realized in everyday life is characterized by its specificity, the roots of which should be found in the Georgian interpretation of the synthesis of Greek-Judean cultures. For example, Georgian hospitality is nearly identical to Greek proxenia and paganized Christian rules involve pagan elements. Georgians are more aesthetes in everyday life than pragmatists or fanatics. Continuity of traditions is experienced as a major determinant of the Georgian identity”.*

*The author considers that the cult of vineyard, vine and wine make up an economic factor of identity for Georgians – “Wine plays such a role in everyday life of Georgians that without any exaggeration we can consider it an axis of Georgian everyday life. An impression is formed for an alien eye that Georgians work not only for their self-satisfaction, but also for further performing the ritual with wine, which is specifically characteristic for the Georgian feast. Probably this causes Georgians to be chained to their earth, home country and any attempt of separating from it causes sharp nostalgia.”*

*Historian Lela Pataridze names, as she says, generally recognized basic parameters of people's or national identity, namely: name of the nation, territory, cultural aspect (language, traditions, mode of life, common values, religion, etc), state and civil aspect – single economic space and single legal space. She considers language and territory to be of special importance for the Georgian identity. She explains their significance thus – “The Georgian people have no historical experience of living in the Diaspora such as, for example, Jews or Armenians have. That's why they have not elaborated such a specific religious and custom system, which will preserve the Georgian identity to them and their further generations in any spot of the globe. The Georgians possess the experience of protecting their own territory and of fighting for it. Georgians separate from the surrounding world by the territory. That's why the Georgian culture is not isolated in itself; it has involved many oriental and western streams”. – And this is, probably, an important aspect of the Georgian identity as well. I consider the Georgian language to be also a basic determinant. Georgian is a specific language because it is spread in a narrow geographic area and in fact, coincides with the borders of the Georgian state. A language, cognate to Georgian, is not spoken anywhere, in any part of the world (Georgian, Megrelian, Swan – all these three cognate Kartvelian languages are spread on the territory of Georgia). Thus the language is also a natural border between Georgians and non-Georgians”].*

*To specify, L. Pataridze mentions about perceptible difference in the words “eri (people)” and “nation”. Namely, the term “eri”, modern (within new Georgian language) meaning of which was established still in the 19<sup>th</sup> century, does not mean (or very slightly expresses) the state aspects of identity, such as loyalty to the constitution and legislation, common rights-obligations for all members of a unity. In the 19<sup>th</sup> and 20<sup>th</sup> centuries, when Georgia was still incorporated as a state first within the Russian Empire, then the Soviet Union, just the moment of identity was though most accentuated in the concept of “eri” than from more natural concept, such as “people”, but this accent was made on the moments of ethnic, language, historical experience. And because of this any efforts of the present authorities to imply in “the Georgian people”]*

to ethnically non-Georgian population living in Georgia are unsuccessful, as the civil identity is not so kept in the consciousness of either ethnic minorities themselves or of basic ethnos for the term “eri” to involve all the aspects implied in the concept “nation” (in the western understanding of this word).

*In L. Pataridze’s opinion, it’s of great importance at present – to turn “people’s identity” into “national identity”, i.e. to strengthen civil consciousness in both ethnically Georgian and non-Georgian part of the citizens of Georgia. It’s natural, as no stable state and multicultural unity can be reached otherwise”.*

*Professor of literature Zurab Kiknadze makes an extensive introduction to the national identity problem. He mentions about two sides of the questions put on the national identity. On the one part, in his opinion, identity is a subject of reflection, i.e. the question is put consciously as to what is personality of Georgians, but if this subject belongs to a metaphysical sphere or demands an answer to the question as to what Georgians are deeply in the light of essence of history, there may exist no definite answer at all. If we take the subject into an empirical reality, it will be subject, on the one part, to historical research, i.e. research of its ethnogenesis, on the other part, it will be decided in the philosophical-ethnic and culturological cut, i.e. what am I as a historical being, what place I held in the past or hold today or may hold, or want to hold in the mankind. Later he expands the thought and points that a unity of the Georgian national identity determinants fails “to hold” uniqueness, because these features are generally human. The identity is expressed in our being itself, live self-experience, objectification of which, in the author’s opinion, will equal to leveling. He concludes that – “it’s not a matter of determinants themselves, which are characteristic to other identities as well, but of the chaplet, which they form on mutual unity. The uniqueness is in the chaplet and not in individual determinants, however peculiar each of them may seem”.*

*In Z. Kiknadze’s opinion there are still separated three basic determinants of the national identity, territory, religion and language. – “There exists inner assurance that the cultural personality of Georgians is on the verge of west-east. A cultural type of Georgians is neither fully oriental nor fully western. Between Europe and Asia there is Byzantium, which is west for Georgia and east for Europe. Georgians are within this intermediate encirclement of the Byzantine civilization, though neither Byzantine mentality is fully characteristic to them.”*

*A second determinant is Christianity, i.e. Orthodoxy. Z. Kiknadze cites an example of King Vakhtang Gorgasali (King of Iberia in the 5<sup>th</sup> century, founder of Tbilisi), who writes in his will to his heir and nobles: “Don’t forget love to Greeks”. Here Greek, evidently, does not mean ethnic Greeks. Greek here is a Christian, opposing to irreligious (non-Christian), analogous to Hellene - Barbarian opposition. With his words the King determined a priority”.*

*In his opinion, priority of Christianity reached the point, when Christianity, namely, Calcedonian belief, the first expression of Georgian personality, has become its synonym. However, he adds, this is not such a priority that is characteristic only for Georgians, it lacks uniqueness, but – “it’s not important for formation of self-*

consciousness. King Vakhtang left such a will, though he was known to be a sworn enemy to the policy of Greeks”, concludes the respondent.

*Z. Kiknadze introduces into his discussion one more determinant of the national identity – openness of the Georgian mentality (or nature) and substantiates it thus. As well as in the period of Greeks – “in the late Middle Ages also the Georgian poet-kings, whose life was sacrificed to the wars against Persians, were great worshippers and adepts of the Persian poetry and, generally, culture. Christianity was not for them a barrier in their love for the Persian culture, namely, poetry. It was the same in the period of tsarist Russia, when the Russian tsarism’s official policy was directed at disparaging the Georgian culture, the answer of the Georgian community was not a denial of the Russian culture. How can this be explained? It can, probably, be explained by openness of the Georgian mentality (or nature), which can be considered to be a priority determinant of Georgians, as some think”.*

*But, Prof. Z. Kiknadze considers language the most important among the national identity determinants. – “And there were heard six languages in Kartli”, informs the chronicle about the situation in the 4<sup>th</sup>-3<sup>rd</sup> cc BC... According to the chronicler’s conception, from these six languages one language (Georgian) has become a differentiating sign for Georgians. Just the language was the sign, which not only differentiated the Georgians from others, but was a basic determinant of self-identification. It was so, when King Mirian, of Persian origin, “fell in love with Georgians, forgot the Persian language and learned the language of Georgians”, is said in the chronicle. The respondent explains and concludes that to conduct proper policy the most efficient instrument is used, which is most significant. To win the Georgians’ heart, their confidence, the king of alien origin learns their language. Still by now Georgians welcome anyone, even speaking a little Georgian, with great respect and admiration, considering this fact to be a sign of their deep and great reverence”.*

*In Z. Kiknadze’s opinion, the language as the identity determinant, was especially seen in the environment, where it would face a prevailing language. He cites, as an example, translation of the Gospel from Greek into Georgian at Athos Mountain by Athos Greeks, also the legend (myth) connected with it, according to which Ekvtime Atoneli (one of the most renowned church figures), recovered from fatal disease, the Virgin was revealed and appealed to him – “You are saved, get up and easily speak Georgian”. Z. Kiknadze concludes, that – “There could not have existed any other marker of identification in the Christian environment than the language, for Georgian Christian monks, who were cut off their native country. Greeks looked with doubt at the Georgian translation of the Holy Script, which was an essence of life for the Georgian monks of letters. It is said about one renowned figure at Athos Mountain, Ekvtime, that he “enlightened the language of Georgians and the country of Georgians”.*

*Another example cited by Z. Kiknadze concerns the period of Georgia’s colonization by Russia, when the Russifying policy of the Russian Empire put the language on them to be or not to be verge. He points that – “this period – the entire 19<sup>th</sup> century was ongoing under the sign of new literary Georgian formation and with the motto “the language deteriorates, the nation falls”. In this period the language was presented in the first place from the past heritage. At that time the word-concept*

*“mother-tongue” acquires conceptual meaning and becomes a symbol of national self-survival, self-determination and self-expression. The author of Georgian “Dedaena” (“mother-tongue”) wrote that in the previous centuries Georgians fought for belief and got experience in this fight, but they did not know how to fight for the language as alien tribes didn’t threaten the language. After joining Russia their belief was guaranteed, but the language faced great problems”. In the author’s opinion just this very factor caused the unusual development of literature – “Literature shouldered the burden of the nation’s leader. The 19<sup>th</sup> century Georgian writers were recognized as national leaders. The urgency of jeopardy was inherited by the 20<sup>th</sup> century. Despite the fact that the Georgian language had a status of the state language attached to it by the Constitution, it did not feel easy at all before such a strong rival as the Russian language. “Speak only Georgian”, these words of the poet, along with a challenge to a rival, involve a whole array of emotions, starting from fear and ending in care”.*

*Z. Kiknadze represents the language as not only a basic determinant of the Georgians’ national identity, but as a proof of uniqueness. He substantiates his consideration thus: “Language priority in determining the Georgian identity is additionally strengthened by the condition that the Georgian language is an orphan language, it doesn’t unite in any known family of languages: the Georgian language belongs neither to Indo-European, nor Semitic, nor Turkish, nor Ugro-Finnish, neither to any other group of languages. Georgians, as people speaking orphan language, are themselves an orphan generation using orphan alphabet, which is their inseparable property. If we seek for uniqueness in the nation’s personality, we can’t imagine a better determinant of identity as this. Orphanage is a direct expression of its uniqueness”.*

*The efforts of the Soviet Union authorities to abolish the item in the Constitution of the Georgian SSR, according to which the Georgian language along with Russian functioned as the state language, was apprehended by Georgians as an insult to their dignity, thinks Z. Kiknadze. He evaluates the events of April 14, 1978, which followed the plan mentioned above thus – “That the language is a basic determinant of the national personality as a priority one among other determinants was proved before the dissolution of the Soviet regime twelve years before, namely, on April 1978, when not only intellectuals and students, but all the layers of the Georgian population, at a risk of their lives, it may be said, went out into street to protect a constitutional right of the Georgian language. The Kremlin efforts to withdraw from the Constitution of the Georgian SSR the item on the state status of the Georgian language, was considered by Georgians as an insult to their dignity. It is the case when a sign of identity determinant is turned to a dignity category. A monument was erected to “Dedaena” (mother-tongue) as to persons of high merits”.*

*Z. Kiknadze discusses the national identity, along with the cultural unity conception, from the viewpoint of the political unity as well. Namely, he opposes two approaches existing in the Georgian community. On the one part “I am Georgian, therefore, I am European (the statement by the late Zurab Zhvania, prime-minister of Georgia, made at the session of Council of Europe several years ago) – voices a traditional idea of Georgians on Europe, as its cultural symbol. On the other part – “I am Georgian, therefore, I am Orthodox”. In Z. Kiknadze’s opinion, these two oppose each other. He observes that there were many in Georgia who doubted the*

*abovementioned words of Zurab Zhvania – “what did he mean – that we are already Europeans, as we joined Council of Europe, or these were programmed words, which should be realized in the future? Are we Europeans or do we strive for being Europeans?”* “Then he mentions that it would have been difficult to fully realize this program in Georgia – “individually many Georgians may share the European cultural values, the values of European mentality and everyday life, but their full realization would have been difficult, as Georgians are at the border of Asia and the other, not only European, West. This West for us is Byzantium, which though does no longer exist physically, keeps latent existence in the mental form. The processes, which formed modern Europe in the West, were not passed by Georgia. We look through the history of Georgia; we’ll see how far we were from Europe, despite many common signs. We often hear that in Georgia, Georgians kept always striving for the West, where they thought their cultural home was, but these strivings were impeded first by Asia (Muslim world), then Russia, which blocked us from Europe, though our first experience with Europe was through Russia. It should also be said that what we shared was Europe kneaded by Peter the Great and not authentic Europe”.

*Z. Kiknadze supposes that the prime minister’s words – “I am Georgian, therefore, I am European”, express Georgians’ latent aspiration and, thus, has the right to exist. – “Another formula co-exists beside it, which fundamentally opposes the one expressed in Council of Europe, which can be formulated thus: “I am Georgian, therefore, I am Orthodox”. Besides that this formula is anachronism in the new century, determination of identity by the religious sign considerably narrows the limits of the identity of Georgians, as among the ethnic Georgians there long exist the representatives of not only Roman Catholic Church and other Protestant unities, but Muslims both within Georgia and beyond its borders (Turkey, Iran). This formula blocks the way towards Georgians not only to believers of different confessions, but to agnostics and also to those, who recognize Orthodoxy not through church belief, but only formally, as a traditional cultural orientation. Their number is not small”, he concludes. Here Z. Kiknadze presents contradictions existing within the Georgian community between the conceptions of cultural unity and political unity, only in the background of ethnic Georgians. His considerations are interesting, as they express current contradictions existing, within the Georgian community, though they are not sufficient for thorough analysis of the processes.*

*Media-journalist Lela Iakobishvili quite laconically answers the questions of this block, namely, her answer to the question – on the basic characteristic signs of the national identity, starts with categorical negation – “The Georgian identity has never been brought to and mostly today is not brought to the genetic “purity” of blood. This is, probably, the most important thing we take into consideration while talking about the Georgian identity”. Then she explains the nature of the Georgian identity – “The identity of Georgians, as well as of others, took place and takes place around those values, which are immanent to Georgians. This is a certain “list” of existential experiences, towards which the nation has high sensitivity and which belongs to the rank of these single ethnic existential experiences”.*

*She distinguishes the following signs characteristic to the national identity. They are:*

1. History of the country. We should stress here that it is not identical to the experience of the country's past. A number of historical happenings was and is a sacral experience of authentic existence in the world and its determination as a subject.
2. Christian belief. Ethnic mobilization around the religious ideas having fundamental values formed and forms even at present an experience of unity. Liberal ideologists have partially managed break this identity.
3. Language, which made and makes not only a historical narrative, but also writing down of the text, both historical and also fiction and technical.
4. The Georgian alphabet, as a single "techne" for creative realization.

*Press-journalist Khatuna Maiashvili divides the issue into two parts. At the first level she discusses general determinants, namely, culture – "in the broadest meaning of this concept – language, belief, traditions, customs and habits, norms of morals, behavior, clothing, feast table, art, ideals; historical memory (long and brief), myth, legends". At the other, the type carrying this identity, its collective image, within its psycho-emotional and socio-cultural context. In Kh. Maiashvili's opinion, it is characterized by: "conservative considerations on the social role and social status, conservative, suppressed approach to gender functions. Disposition to a dialogue, dispute, free exchange of thoughts; complication in option-making or passive, superficial attitude to it; it is irrational and perfunctory in work, in collective work it is characterized by the complex "how can you sing without me". In its wishes it is an idealist and romantic, generous and charitable, in practical life this type cannot or doesn't realize his wishes".*

*In the issue of the national identity Kh. Maiashvili attaches priority to language, culture and historical memory. In her opinion: "It is of great importance today to identify the Georgian national identity with the Georgian state identity. In other words, putting of pragmatic identity ahead of intimate identity".*

*Both historian Lela Pataridze and media-journalist Khatuna Maiashvili point to the priority of the nation, as a political unity conception, over the cultural unity conception at the present stage. This issue is partially tackled as important by Zurab Kiknadze as well.*

## Part II

2. What is the history of the Georgian national identity formation?

*Anthropologis Akaki Kulijanashvili considers the Georgian national identity has the most ancient history. To prove this he mentions: "This time let's be satisfied with the quotation by the author of the 8<sup>th</sup> century hagiographic work – Georgia is the country in which the church services are performed in Georgian. This is a fixed source and there are numerous such sources of earlier period as well. For example, discussion of the Georgian orators by Ayety and Partadze in the 5<sup>th</sup> century, which deals with the issues of Georgia's orientation in regard to Persia and Greece, also myths and legends, dealing with this issue. In my opinion, the Georgian identity originates from the 4<sup>th</sup> century, from spreading of Christianity in Georgia. Translation of the Bible into Georgian enabled formation of the literary language, which performed a function of*

uniting Georgian ethnic groups. It should be mentioned here about the efforts of the 19<sup>th</sup> century renowned figure I. Chavchavadze in restoring the national identity, in whose opinion “Georgians preserved from their ancestors three things: language, home country, religion”.

*Historian Lela Pataridze suggests an extensive survey on this topic. In her opinion, formation of the Georgian national identity has a long history. “It’s known that the national identity has quite a flexible nature, which is a guarantee of its stability and vitality”, she adds.*

*L. Pataridze differentiates several main historical stages in the process of Georgian identity formation: “The first stage starts in the pre-Christian epoch. More exactly, in the period when at the dawn of Hellenistic epoch in the 3<sup>rd</sup> century BC the Georgian state was founded. Since that time through the early-Christian epoch, a main object of identity, to be more exact, of loyalty, there has been a monarch – a king and a royal dynasty. Traditional Georgian historiography, which seems to be based on the royal chronicles and royal lists and continues in the further Christian period, stresses its attention on three fundamental markers of identity, they are: a royal crown, the Georgian language and religion (first heathen, then the Christian.)”*

*A second stage, in L. Pataridze’s opinion, is advance of the Christian church in the foreground. She adds: “the 8<sup>th</sup>-9<sup>th</sup> centuries AD are the period of political dissolution. This is the period, when a single Kartli Kingdom is separated into feudal kingdoms and principalities. Just in that very period there takes place a significant shift of accents in the Georgian identity and the Christian church appears in the foreground, and the Georgian liturgical language inseparably with it.*

*A third stage, in the respondent’s opinion, starts in the 11<sup>th</sup> century and is connected with the development of the Georgian culture, national character. She explains the advance of this marker of the national identity thus – “A single kingdom of Georgia of the 11<sup>th</sup> century is strongly influenced, both in statehood and culture, by Byzantium. In the then Georgian sources there appears a discussion on the Georgian character, the nature of a Georgian... Along with the tendency of mastering the Byzantine culture (intensification of the process of translating the Christian literature, care for expressive functions of the Georgian theological language, etc) there appears a new borderline sign – historically and culturally formed Georgian national character. In this case a space of Byzantine culture, which also involved Georgia, causes the need for intensifying the national identity”.*

*A fourth stage, she considers, starts from the 15<sup>th</sup> century, when Georgia once more loses its political unity and appears encircled with the Mohammedan environment. A major determinant of the national identity, in this period, is Orthodoxy. She explains her consideration as follows – “In that period the confessional unity of the Christian world itself is split (a schism, generated by the Catholic and Orthodox churches, was topical for Georgia). Since that time till the end of the 18<sup>th</sup> century Orthodoxy becomes a major determinant of the national identity. “Georgian by belief” was a synonym to a member of the Georgian Orthodox church and, in fact, a concept expressing national belonging of a Georgian”.*

*A next stage, in the author's opinion, starts in the 19<sup>th</sup> century, when the ideas of ethnic and cultural nationalism keep spreading extensively. She considers – “Facing the Russian state and the Russian Orthodox Church, a wave of Georgian ethno-cultural revival turned accents mostly on cultural and historical values. Herewith an important place in this process was occupied by the liberal-democratic values of the new time, which the Georgian intellectual community (intellectuals) mastered mostly from Russia.”*

A type established in the 19<sup>th</sup> and 20<sup>th</sup> centuries is characterized by the author, as an actuality of rapprochement of the “national” identity (on the one part, in the narrow understanding of nationalism and, on the other, understanding of nationalism, as the conceptions of cultural and political unity). At present, she thinks, the national identity formation process is still underway along with the processes of accommodating with modern new realities, in which the issue of “eri” (in the meaning of nation), as a political unity, remains most urgent.

*Professor of literature Zurab Kiknadze links a historical formation of the Georgian national identity with the defensive, repelling battles, which, in his opinion, have added some properties to its mentality.*

*He comes to the conclusion that the wars, experienced throughout the entire history, have formed psychological “fear” in Georgians, influence of which has been preserved until now: “It can be noticed that they, (Georgians) up to the present day, keep resisting the enemy, both real and imaginary, its image or phantom. Soros, Mason, KGB (state security committee), the Kremlin, World Bank, globalization, cosmopolitanism and other idols – they separately or sometimes jointly threaten them. They permanently fear that a plot is being arranged against the nation in general and the Georgian nation, in particular, somewhere in the virtual space. Georgia, in the Georgians' eye, is a permanent target of enemies, an innocent victim. In the past, Arabs, Mongols, Turks and others called for demolishing Georgia and its inhabitants... Georgia was unjustly oppressed and is oppressed now... Being a hero in the past, at present it is in chains, enslaved... Such a vision of the history of Georgia has penetrated into the historical consciousness of Georgians since the 19<sup>th</sup> century when it was really jeopardized heavily and was in difficult position, more difficult than it was in the 18<sup>th</sup> century, when “it was a master of its own self” – these words belong to the 19<sup>th</sup> century writer and keep being topical now. Georgians are not satisfied with that degree of independence they possess now, as an independent state. As if there were any period in the history of Georgians, when they mastered themselves with absolute independence”.*

*In the opinion of media-journalist Lela Iakobishvili, the history of the identity formation follows the biography and history of Georgians, which is substantially strengthened by a religious factor within last centuries. “It's too difficult to specify in which moment of history these identities were formed, though reflection on them takes place already in the 7<sup>th</sup> century AD in the hagiographic work of Ioane Sabanisdze “Martyrdom of Habo”. Descriptions of kings' lives are also important from this viewpoint, in the titles of which Kartli (the same Georgia) is identified with a king. In the work of the 12<sup>th</sup> century thinker and poet Shota Rustaveli, this identity is connected with an earthly embodiment of the single state idea – a king. “Let the soul of those, who*



die for the king, go up to the heaven". A king was apprehended as an earthly image of metaphysical existence of ethnos, therefore, description of the history of Georgians as well as of the histories of kings, peoples of the world and the efforts of their establishment in the universe. Here Georgia, certainly, is no exception" – *she concludes*.

*After history, L. Iakobishvili considers the period after Georgia's joining Russia (1801) to be of great importance. She mentions about break of the identity connected with the king. Therefore, ethnic mobilization around the new ideas from this epoch has become very important. She says – "These efforts were followed by an exaggerated evaluation of the traditional values and numerous social experiments, which we are facing till today and which we fail to avoid. We experienced the latter most painfully not only in the beginning of the 20<sup>th</sup> century, but in our epoch as well, since the day of gaining independence".*

*Press-journalist Khatuna Maisashvili deviates from the question with the reason of its complexity and suggests the history of the Georgian national identity, in her words "formation of experience": - "This identity, as a system of phenomena, stereotypes, values, as a model of behavior and relations, has been inherited by me. Maybe it started thus: "I am a small Georgian, a child of the Caucasian mountains..."*

In 1978, when in adopting a new wording of the Soviet Union constitution, a constitutional status of the Georgian language as a state language, faced jeopardy, I was 12 years old. I clearly remember a feeling of alarm, acquired from elders and developed in me in my own way. What does it mean to take away the language (elders used to say thus)? What language should I speak then? What will happen with the books, written in Georgian, which I love so much – will no one read them after me? Maybe, this emotion was radical and naïve, but it played an important role in formation of my personality.

April 9 of 1989 was for me a lesson that my generation may shed blood for national ideals.

The war in Abkhazia was a lesson that my generation may shed blood for its native land, native country, which is one of the determinants of the national identity.

A reflection of these events in the world was also most significant and painful – We were defending our national identity or we were worried with the ambitions of a small empire.

Three or four years ago disturbances caused by removing of the item designating nationality from the passport of the Georgian citizens, distrustful attitude to the reforms ongoing at present in the system of education was and is identified with fear and jeopardy for the Georgian national identity not to be violated".

*As we see all the respondents point to the historicism of the national identity in different combinations, which finds an analogy with a classical interpretation of nation by Johann Gottfried Herder. However, Z. Kiknadze considers this approach, as he says, "the fears against enemy", which is expressed in jeopardy of losing identity in the opinion of Georgians, points to negative aspects of cultural nationalism.*

### Part III

3.1 What caused formation of the Georgian national identity?

3.2 What was a fundamental factor in the process of the Georgian national identity formation?

*Anthropologist, Prof. Akaki Kulijanashvili observes that the fundamental factors of the national identity formation are connected with spreading of Christianity, formation of the literary language and spreading of written language and the 19<sup>th</sup> century national-liberation movement (see Part I).*

*In the opinion of historian Lela Pataridze, a principal thing was formation of a state – Kingdom of Kartli. – “Traditional historiography ascribes to the first King of Kartli, King Parnavaz (the 3<sup>rd</sup> century BC) both foundation of the Georgian state and attaching a leading role to the Georgian language and the written language in the state”, he concludes and mentions that a postulate on state unification of West and East Georgia, declared in description of Parnavaz’s life, was of great importance for the Georgian state. – “A ruler of West Georgia Kuji tells to Parnavaz that Parnavaz is a decendent of the Kartli rulers and a royal throne belongs to him, while Kuji occupies a place of his subject on his own will. Thus, the first unification of the kingdom of Kartli is traditionally shown not as a conquest, but as a voluntary union. And, indeed, despite the fact that due to interference of various geopolitical forces the kingdom was divided into two (when, for example, one part was subject to Rome and the other – to Iran), this was always followed by the epoch of a reunion and consolidation”.*

*An instinct of self-survival is also considered by L. Pataridze as a basic factor of the Georgian national identity formation. She mentions that – the instinct of self-survival and self-preservation becomes stronger when external defensive factors (e.g. a state) start weakening and the function of uniting “our group” is sometimes shouldered by different symbols. In the period of difficulties the nation will use what is available in this concrete situation, what will most efficiently fulfill the shouldered obligations”.*

*Professor of literature Zurab Kiknadze makes main stress on the duration of battles of defensive, repelling character, which added definite features to the mentality of Georgians. This factor, in his opinion, had positive results, but also developed negative features as well. Namely, he points to generation of some phobias and “fears” (see Part I).*

*In the opinion of Lela Iakobishvili, the most important factors of the national identity were mythology, language, religion, and alphabet.*

*In the opinion of press-journalist Khatuna Maisashvili, an organizing force of the national identity was caused by formation of a state and aspirations for preservation. She observes that – “The determinants defining the Georgian national identity appeared to have strong organizing force. It was caused by the aim – to form the Georgian state. The national identity kept being preserved by aspirations to state identity”.*

Approaches of Kh. Maisashvili and Z. Kiknadze coincide on the influence of the factor of long defensive battles on the processes of the national identity formation. Kh. Maisashvili points that – “Georgia permanently stood on the verge of losing and preserving statehood. Permanent walking and living on “the red line” attached strong organizing force to the Georgian national identity, i.e. it was a peculiar instinct of survival”, when the national identity would be preserved through a state machine.

#### Part IV

Which myths and historical legends caused formation of the Georgian, national identity?

What is the content of these historical myths and legends?

*Anthropologist Prof. Akaki Kulijanashvili names the myths and legends, which, in his opinion, influenced formation of the Georgian national identity. They are: a myth of the common origin of the Caucasian people. In his words – “There are seven (six according to the chronicler) peoples in all born by the same partners according to this myth”. Also a myth of Georgia being the Virgin’s share, a myth of Georgia being a distinguished land given to Georgians by God, a myth of the Second Coming, when the Georgian language will be used by God (a 10<sup>th</sup> century manuscript), a myth of introducing a single Georgian state and the written language by King Parnavaz before Christ (a written historical source – “Kartlis Tskhovreba” (“The Live of Kartli”), a myth of the Argonauts.*

*Historian Lela Pataridze explains that historical memory performs a function of the myth in the national identity. She considers an important fact the specificity (tradition) existing in the Middle Ages, which concerns “Kartlis Tskhovreba”. Namely, she explains – “Kartlis Tskhovreba” has not one author, neither was it written in any concrete period of time. In the Middle Ages it was an official historiographical tradition, which was permanently elaborated, renewed, filled and edited. In this case my interest is caused by the idea of existence of such a book itself. No “other” history could have been written, because “Kartlis Tskhovreba” preserved “the only legitimate version” on the origin of the Georgian ethnos and state”.*

*In her opinion the national identity makes sacralization by the history and the epoch of nationalization is sure to form a new “sacral history” of the nation. – “By the way, we come across remains of the sacralized historical thought in Georgia even now; unfortunately, the history of Georgia still has many dogmas, taboos and stock phrases in the educational and scientific sphere” – she concludes.*

*In L. Pataridze’s opinion, it’s not easy now to separate one or several myths. – “At present the folk historical legends and the medieval historical literature have been, nearly fully, replaced by stock phrases of school history. However in the highlands of Georgia there still exist the legends of Queen Tamar (reigned in Georgia in the 12<sup>th</sup> century, in “Gold Era”) – she explains.*

*But she concentrates on one of the modern myths, which concerns historical tolerance of Georgian. It basic postulates are: “David Aghmashenebeli (King of*

Georgia in the 12<sup>th</sup> century) used to go to mosque...”; “Jews were never persecuted in Georgia”, etc. *L. Pataridze stresses that she doesn't doubt these historical facts, but this is a vivid example of the history sacralization on the part of the national identity, which is characterized to the epoch of nationalism – “the national consciousness sees its national feature in these historical facts” – she concludes.*

*Professor of literature Zurab Kiknadze's considerations in regard to this issue were discussed by us in Part I, now we'll deal with three myths distinguished by him.*

### *1. The myth of uniqueness of the Georgian language.*

*“And there were heard six languages within Kartli”, informs the chronicle (“Kartlis Tskhovreba” – a collection of the Georgian nation's history) about the situation in the 4<sup>th</sup>-3<sup>rd</sup> centuries BC. According to the chronicler's conception the population is divided according to the languages, in these six languages one (Georgian) became a differentiating sign of Georgians. “Just the language was the sign, which not only differentiated Georgians from others, but was a major differentiator of self-identification”, concludes Z. Kiknadze.*

*The 10<sup>th</sup> century manuscript grants a special status to the Georgian language as it supposes some secret is concealed in it. (According to this written monument, “Praise and Glory to the Georgian Language”, Jesus Christ will announce the Second Coming to the mankind in Georgian) – “Quite clearly the language in this text is in the role of a powerful determinant of the nation” – concludes Prof. Z. Kiknadze.*

*2. The myth Amirani. In the respondent's opinion – “Georgians do really deserve a metaphor of oppressed, tortured, martyr in the Russian Empire. So, however exaggerated should have been the call for the myth on a chained hero to express their condition, this surely had a real ground. In the 19<sup>th</sup> century, a Georgian poet, one of the ideologists of the national-independence fight, compared the fate of the Georgian people to Amirani, chained to the Caucasian ridge and identified it with him”. A content of this verse in brief is as follows: “Amirani, chained to a high ridge of Caucasus, is entire Georgia and ravens – enemies. Time will come and the chain will be split by this great hero and Georgia's long distress will be replaced with joy!”*

The verse was first published in 1884, and since then the Georgian national ideology recognizes only such Amirani. After that Z. Kiknadze explains that – “Georgians proudly acknowledged an image of Amirani as a symbol of their everlasting being, though Amirani is a classic example of hubris. As the folk records witness he answers for challenging his godfather, God, to a duel and not for bringing fire, which is ascribed to him by ideologists, identifying him with Prometheus without any grounds. People do not remove responsibility from him (here is meant the period of myth formation – T.K.) and consider this punishment quite just for him. But in the secular period the values are mixed: hubris is considered to be a heroic behavior and to be chained for hubris – an, unjust punishment. No one tried to review the dogma, a fact of hubris has been concealed by now. This is a national dogma of the secular century and it fully meets the national self-consciousness”.

3. *“The Knight in the Panther’s Skin” (a famous medieval Georgian epic) – a philologist Zurab Kiknadze considers Georgians connect their personality, in a certain extent, with the epic “The Knight in the Panther’s Skin” of the feudal period (the 12<sup>th</sup> century). Georgians recognize and consider priority the values expressed in it (friendship, love, devotion, self-sacrifice), which they consider to be their, as Georgians’, obligation to realize in life. – “The universe, presented in it, is the ideal, towards which Georgians are morally oriented. It’s chrestomatic to present nations with epochal works from the very school period: Greece with Homer’s epics, Italy – “Divine comedy”, Germany – “Nibelungs” or “Faust”, Georgia – “Amirani” and “The Knight in the Panther’s Skin”. “We have talked about Amirani” – continues the respondent and puts a question – “it should be asked in relation to “The Knight in the Panther’s Skin” – whether this epic formed such a mentality of Georgians or, on the contrary, a world of values of this epic has formed it? Which is primary? Is this question like an unsolved paradox of a chicken and an egg?” and concludes that – “Georgians want to see their image just in “The Knight in the Panther’s Skin”. This world is a firm authority for Georgians even today, in cardinaly changed terms. There are many who think that Georgians should oppose the speeded up approach of globalization with these values”.*

*Media-journalist Lela Iakobishvili, as the previous respondents, attaches great importance to the written works or folklore collected in “Kartlis Tskhovreba”. It is easy to understand, because this work was being filled by many authors within centuries and it represents basic material on the history of the Georgian nation. She mentions that – “the “Book on Life of Kartli” was the most important along with numerous historical written works or folklore, which are alive in the highlands of Georgia even today”.*

*Lela Iakobishvili stresses the myths on “Dali” or “Amirani” in the pre-Christian epoch, which, in her words – “actually preserves a function of Georgians in the universe in our population till the present day”.*

*The respondent also stresses the greatest role of Ilia Chavchavadze (canonized as St. Ilia the Righteous) in the beginning of the national movement (a second half of the 19<sup>th</sup> century) in forming new, relevant to the period fundamentals of the Georgian national identity. She mentions that – “in the new period the most important role belongs to Ilia Chavchavadze and the Sixtians. Ilia Chavchavadze has given us a formula of identity – “Language, Home Country, Religion”. In the 20<sup>th</sup> century, Ivane Javakhishvili worked hard on describing the history of Georgia laying the basis for the new Georgian historiography. The literary processes of the 20<sup>th</sup> century were mostly satiated with these topics”.*

*In the opinion of press-journalist Khatuna Maisashvili there should be distributed two, mythical and fairy-tale personages, Amirani and Natsarkeia. “Amirani – the son of goddess Dali, – is strong and ambitious. He is so strong and ambitious that, inspired by the whim of fight and victory, accustomed to being unconquerable, he dares to fight with God. That is why he is punished. Being chained to the Caucasian mountains, a damned eagle pinches his liver; a little dog licks the chain, making it thinner and the very moment the chain should break and Amirani should be free, the blacksmiths come and restore the chain. Amirani has become a symbol of Georgia in the Georgian*

consciousness, culture (remember: "Time will come and the great hero will break the chain and will free himself").

*Natsarkekia, in her opinion, another characteristic personage, is most popular. But, personally for her, – "he lacks sympathy, is lazy, idle, of small stature, doing nothing for his brothers( in another version, for his sister-in-law) except poking ashes and is only a heavy burden for them. He is ousted from home and goes to seek his fortune. On the way he comes across a giant. Natsarkekia hides his fear (though he is most afraid) and manages to cheat the giant with different tricks and, finally, appropriates his property."*

*In the respondent's opinion, generally, in the Georgian myths, legends, fairy-tales, – "a giant has many heads, as usual, he is of nine heads, nine lives, strong, merciless, but lacks mind. In the Georgian consciousness a giant is an image of enemy, i.e. a big, powerful, merciless, but silly enemy for Georgians, who can be defeated even by a small, short and weak, but adroit person. A moral of a fairy-tale on Natsarkekia can be seen in the Georgian saying: "A trick is better than strength, if a man can manage it."*

*In her opinion, in other samples of the Georgian epics, such as : "A Story of Rostom", "Kopala", "Iahsari", a main hero also fights against giants, but is straightforward, just and devoted... – "it is of special mention that the narrator also stresses fight without betrayal, cheat, with use of trick only" – she concludes.*

## Part V

- 5.1. How is the Georgian national identity expressed in literature?
- 5.2. How is the Georgian national identity expressed in mass media?
- 5.3. What is the condition and structure of the Georgian mass media?

*In the opinion of anthropologist Akaki Kulijanashvili within the entire history in the Georgian literature there prevails the theme of the national identity as a topical problem and propaganda. He mentions that – "the first Georgian literary monument has been fixed since the 5<sup>th</sup> century in hagiographic texts however surprising it may seem, and in diversified Georgian literature one of the main topics is patriotic motives of the identity".*

*In regard to mass media the respondent negatively evaluates the efforts of authorities to control it. He points that – "mass media in the present-day Georgia is under the terror of the authorities, mentality of the authorities is fashionably cosmopolitanism, and so the national identity issues are not topical and are replaced with the political identity." He also adds that – "printed media and electronic media preserve relative independence, while TV, except one or two channels, is fully controlled by the authorities."*

*In the opinion of historian Lela Pataridze the 19<sup>th</sup> century in Georgia was a period of flourishing of nationalism, as a cultural and public movement. She observes that – "in that period the ideas of nationalism were generated in literature – poetry and prose.*

By that time such artistic images were popular, as mother, who sacrifices her sons for the home country; a cradle on the bottom of the lake, from where in the eschatological future there should be born a hero to save the country; history – a holy cathedral of the nation and images of national hero – holy icons of this cathedral, etc.

*She thinks that since the beginning of the 20<sup>th</sup> century the Georgian poetry has expressed the national feeling in much more subjective and intimate images: “you can’t feel your home country unless you walk on the dewy grass barefooted” – she cites an excerpt from the verse by a famous poet.*

*In respondent’s opinion, in present-day period the Georgian literature experiences crisis, it is in the process of search, its role is distributed in other branches of art and professions – “The post-Soviet literary efforts point more to the crisis of such ideology. The literature in its best samples does no longer set the ideological task of nationalism. Just this very phenomenon points most vividly that the national identity enters the stage of the civil nationalism, that the sphere of identity moves from the sphere of feelings and emotions into that of responsibility and this, I think, is the most positive tendency and witnesses vitality of the national identity” – she concludes.*

*It’s clear that L. Pataridze considers the mass media condition as prevailing. She observes its growing potential and considers that full replacement of the Russian language with the Georgian language is a step forward to development of the Georgian national identity. She says – “Mass media in principle, probably, expresses the Georgian community as it is today. It’s most evident that the Georgian language has fully replaced Russian, and it happened quite fast. In total I consider this as an inevitable and positive fact. At present the Russian TV channels have a smaller audience, the same with the Russian press, which keeps losing readers. However, some 15 years ago it was impossible to exist without the Russian press and TV. When the first independent government most rudely attacked the Russian language and media, it was considered to be a barbarous act (I think, quite justly), but now it is an already established fact. It seems it was not necessary to break open doors”.*

*The condition of mass media is characterized by L. Pataridze in a contradictory way, considering the importance of its role in fitting the national identity to new realities, she negatively evaluates a growing role of church considering mass media participates in strengthening of the civil responsibility on its will or unintentionally.*

*The respondent mentions that – “the situation is not beneficial probably. Let’s turn to the problems of identity again: today the process of boiling, i.e. forming, is ongoing in the society from this viewpoint and it has not acquired any definite form as of yet. The thing is that in the post-Soviet period the Georgian Orthodox church became most active. This echoed strongly in the hearts of people. The popularity of church is promoted by the image of its being oppressed and persecuted in the Soviet period. This is intermixed not only with the religious feelings, but also with the idea of national revival. The church, feeling that national emotions and aspirations are now more efficient in the people’s consciousness than purely religious feelings, tries its best to present Georgians as one inseparable whole. There is a tendency in some part of the society to make Orthodoxy a basic sign (marker) of the national identity. To this is*

added an effort to introduce anti-Western xenophobia by individuals or some public organizations. Though this process is most evident, fortunately it's not the only one and global throughout Georgia”.

*Then she says that* – “another tendency, as I have earlier told, is (conventionally let's call it a state policy) to lead the national identity towards strengthening of the civil consciousness and responsibilities. I don't know to what extent the Georgian mass media apprehended all this. In principle, probably partially at the expense of the fact that the people engaged in mass media are mostly young (*many young people are in the church and politics as well – T.K.*), it's also important that these people are socially and materially provided for, that the western culture is still leading in TV, that the elements shown are important here, which require more openness and freedom of the society. Due to all this and also to the fact that it carries an official line as well, mass media introduces a tendency of civil society formation into the national consciousness. We really cannot blame it for xenophobic chauvinism, unless publications supported by some organizations or church.”

In our opinion, there is clearly expressed re-evaluation of democratic values to harm the traditional, i.e. the issue is presented in the confrontational form between two conceptions, on the one part, nation as a vision of cultural unity and, on the other, nation as a political unity. In this case, the respondent thinks, the resurgence of the Orthodox Church opposes the conception of the political identity and the ideas of liberal democracy. Finally, readers may think that unfavorable condition of mass media is caused by the church.

*Professor of literature Zurab Kiknadze considers strengthening of the Georgian language in the 19th century to be caused by the Georgian literature.* – “The entire 19<sup>th</sup> century was ongoing under the sign of forming a new literary Georgian and the motto “the language deteriorates, the nation falls”. In this epoch from the heritage of the past the language is firstly presented. In this time the word-concept “deda-ena” (mother-tongue) acquires conceptual meaning and becomes a symbol of national self-survival, self-determination and self-expression.”

“It's clear why such importance is attached to literature, which occupied the place of other branches of culture. Literature shouldered the obligation of a nation's leader. The 19<sup>th</sup> century Georgian writers were apprehended as national leaders. The 20<sup>th</sup> century inherited the topicality of jeopardy. Though the Georgian language was granted a status of state language by the Constitution, it did not feel easy before such a strong rival as the Russian language. “Speak only Georgian”- these words of a poet, in addition to a challenge to the rival language, involve a whole array of emotions, starting from fear and ending in care. There was no priority for self-identification, which could have better expressed the personality of Georgians. Religion was not topical, neither territory, which had guaranteed defense in the form of the Soviet “sacral” border, nor economy, as for culture, just the language was its first and essential expression” – *he states.*

*The respondent expresses indirect, but evident, worry on belittled role of the modern Georgian literature and is also indirectly dissatisfied with the Georgian mass media* – “I don't know whether the mass media tries to express the national identity in any form.



Maybe it doesn't want or cannot. Or it wants, but finds no adequate language for this. Who has analyzed the Georgian mass media activities and produce, as to what extent it expresses the Georgian personality signs? What our mass media lacks, especially video media, are cultural programs. Personality should be presented in culture now, shouldn't it?"

*In our opinion, in the colonial and Soviet periods, the role of the Georgian literature was really the greatest for preserving and developing the Georgian national identity. but after gaining independence restoration of the state, naturally, caused weakening of this role and its redistribution over different directions of the public and political life, among them just mass media appears on the first place. Modern Georgian literature is in the process of search and occupies its natural place in new realities.*

*Media- journalist Lela Iakobishvili points that since the Georgian hagiography (the 5<sup>th</sup> century) a topic of the Georgian identity has been inseparable from the topic of written literary monuments – “As we have said above, the first “formula” of identity is with Ioane Sabanisdze in the 7<sup>th</sup> century. Since then this topic has become inseparable from the 7<sup>th</sup> century literary processes.”*

*In her opinion, it finds dramatic expression in the 19<sup>th</sup> century entire literary and media processes – “For the Sixtians of the 19<sup>th</sup> century the problem was of vital importance. – “Still a leader of the 19<sup>th</sup> century Sixtians Ilia Chavchavadze put the Georgian identity into the formula – “We have preserved three treasures from our ancestors – language, home country, religion.” For Ilia Chavchavadze all this was built in the past times by the Georgians’ efforts, remaining as high-rank value, but he understood just then the need for different efforts to be built on already existing fundamental identity – “language, home country, religion” – she concludes.*

She thinks that in the present period – “consciousness being hardly accustomed to industrialization, faced a new dilemma. In the background of world globalization, state building revealed one more new socio-political and cultural conflict. Economic crisis, suspension of production and heavy social climate caused serious alarm in the traditional values and provoked deconstruction in the structure of traditional roles and inner values.”

*After that the respondent discusses the real jeopardy of globalization in the virtual informational space. – “High degree of the Georgian culture conservation gave no opportunity to Georgia either in the 90s or 2000s to filter the informational stream, to which it was not adapted. But the regime of defending culture, which started work in recent years, gives basis to think there is ongoing a speedy process of mastering informational globalization. There are 12 TV channels operating in Tbilisi alone, to say nothing about regional TV and press. Ideals of democracy are replaced by telecracy. Now informational conflict is evident. Globalization put serious accents on Georgia not only from economic, but also from a political viewpoint, a true example of which was transpolitical virtual revolution along with transnational economic projects. It was quite a keen challenge to a country of such morphological variety as Georgia is”, she concludes.*

*In L.Iakobishvili's opinion, just very culture is a special universality for Georgia, through which adaptation in a new myth, globalization, is possible. She points that – “the socio-cultural environment, which is not uniform in our country, can hardly rely on the resources, preserved in our culture in a museumified form. That's why it will put accents, as we have said, on new means of globalistic information, this time first on teleinformation. Georgians used this resource intensively within last 10-12 years – first during the I revolution or coup by the “ I channel”, then during the II coup (this should be qualified by the politologists) – by the Rustavi 2 channel”. In case of such tendency the III revolt of masses may be arranged by way of TV marginalization and television, more marginal (here talk is on the degree of cultural capital) than “Rustavi 2”, may appear as an impulse and institute of management for further processes.”*

*Press-journalist Khatuna Maisashvili thinks the Georgian literature has always expressed the Georgian national identity and has been its one of the most important determinants, starting from the 5<sup>th</sup> century hagiographic works, ending in the works by the 20<sup>th</sup> century writers, already classics: Konstantine Gamsakhurdia, Mikheil Javakhishvili, Grigol Robakidze. In her words – “These works present an image of Georgian, who despite his artistic generalization, is often more vivid argument of Georgian national identity than many other historical sources.*

*The respondent's ideas on the modern Georgian literature are of great interest. She considers the latest Georgian literature experienced and experiences now a crisis of both topic and idea, to which is added a crisis in publishing activities. This caused a break in the relation and back relation between the literature and the community. – “It seems a paradoxical situation was formed. There was ongoing within the society an establishment of new consciousness, a break from old ideals and generation of new ones in torment, a conflict between the generations acquired a sharp form, the most productive generation for that period, those born in 1955-1965, has been sealed with a sign of a sacrificed, lost generation. The literature took long time to generalize these processes artistically, even to partially express them. The most renowned representatives of that period are Aka Morchiladze, Zurab Karumidze, Rezo Tabukashvili Jr., Zura Samadashvili and Irakli Javakhadze. What Georgian do we see in their literature? – A Georgian, whose ideals were destroyed, insulted, a Georgian – poor, cynical, aggressive, being in a critical situation, not needed in the society, ousted, lacking perspective” – this is how she describes the modern Georgian literature.*

*In regard to mass media, the respondent mentions that – “mass media is one of the most interesting paradigms of the modern Georgian culture, one of the most dynamic, circulating channels. Complex evaluation of mass media, in my opinion, itself is one of the indexes of forming consciousness of the society.”*

## **Silk Road as a Communication Center between East and West Cultures**

**Celal CAYIR\*, Yakup CETIN\*\***

Culture is the accumulation of incessant social experience of hundreds and thousands of years. It is a superorganic entity which is capable of shaping our beliefs and life styles by approving and disapproving demands regarding law, economy, religion, ownership, labor and other forms of social organization. Every society has physical and spiritual values which are developed and spread as a result of diverse interactions with numerous societies.

Culture is not a stable and concrete construct. On the contrary, its characteristics are flexible, live, dynamic, and influential. As an analogy if we regard culture as a river flowing from the beginning of history, Anatolia doubtless constitutes one of its nurturing banks. From this point of view, Silk Road played an important role in providing direct interaction between different societies, civilizations, and cultures.

Several factors are influential in the transfer of culture from one region of the world to other geographies. While current mass media means either did not exist or were not well-developed in the previous centuries, cultural exchange took place mainly through wars and trade. This study consists of two parts: the first part includes the influence of travel, trade and war on cultural interaction; the second part mentions the socio-cultural aspect of Silk Road inside Anatolia.

### **Influence of War, Trade, and Travel on Exchange of Cultural Values**

#### **Exchange of Material and Spiritual Culture**

Silk Road has been a significant route connecting two continents and three sea basins for two thousand years. Besides the transfer of Wealth from the East to the West, it functioned as a bridge between two great civilizations of the time. It has contributed not only to contact with unfamiliar societies with different beliefs and cultures, but also to exchange of new technology and thoughts between civilizations.

The ancient Silk Road was not limited only to trade interactions. Scholars, adventurers, Christian missionaries and pilgrims had the opportunity to visit different countries in caravans on the 6.400 km long road. The travel of many Buddhist priests to different regions between China and India has already been known. Furthermore, it has been reported that Silk Road played a significant part in the acceptance of Buddhism and Manichaeism – widespread eastern religions in the region- by most Turks before their acquaintance with Islam.

Trade caravans of merchants used to set off several times a year. They visited several cities and countries on their route to take a rest and market their merchandize

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\* PhD. Uludag University, Turkey

\*\* PhD., Head of American Studies Department, Faculty of Humanities, International Black Sea University

since the long and strenuous journeys took months before they reached their destinations. During their breaks they were able to establish direct and useful contact with various local cultures and societies. Consequently, trade caravans made cultural interactions possible between people who lived in remote distance from each other.

In the first time periods of the Middle Ages, the influence and supremacy of Islam over the West was limited mainly to social life. The Feudal system and church had drastic impact on the socio-economic structure of Europe. As a result of Western crusades, Europeans had the opportunity to meet the so far unknown great Eastern civilization. During this time, Islamic civilization was remarkably superior to Europe in many areas. Wealth and welfare of Muslims in social, official and, economic life greatly marveled the European people.

For the first time in history, the compass was used by the Chinese and introduced to Europe by Arab traders. Similarly, the invention of printing and paper by Chinese were transferred to Europe by Turks and Muslims and thereafter Jan Gutenberg from Germany invented the first printing machine in 1540. It is fairly obvious that trade on Silk Road greatly contributed to the transfer of material culture from the Eastern World to the West.

### **Change of Mind and Prejudice against the East**

European travelers, mariners, traders and their doctors who traveled to the different parts of the world had the live opportunity to tell about their new encounters upon their return. In other words, they had the chance to see and experience many places and societies before known as violent and barbarous. In connection with this, they started to discuss over again concepts such as liberty, justice, prosperity, and so on by referring to civilizations they had visited. As a result of these long contemplations and discussions, it can be concluded that they began to question and abandon their preconceived ideas and dogmas.

Siam Kingdom and its pagan people were once known as uncivilized and savage by European communities. Once French tradesmen, scholars, and priests went there in order to establish trade and relationships with Siamese people. All of them were welcome in a friendly, peaceful, and liberal atmosphere by Siamese people. Without restrictions Christian missionaries were free to practice their worship in all parts of Siam. They were vastly surprised when they found out that Siamese were civilized, honest, and ethical people, contrary to their previous preconceptions. French missionaries received the following judicious response from the Siamese King when they asked him to become a Christian. "If God had wished for only one prevailing religion in the world, he would have done this very easily; however, it can be inferred from the presence of many forms of worshipping that God tolerates religious diversity." They started to doubt and question their own values and belief upon the intelligent response from the Siamese king whose pagan people were once considered as barbarians. Who was more civilized? Europeans were determined to abandon their prejudice and inquire the origin of this extensive understanding and tolerance. If this nation of pagans would come to their land and practice their ordinary rituals as a requirement of their belief system, quite weird for Christians; what would have happened? Doubtless they would be subject to severe torture and persecution. This foregoing example indicates the significant contribution of trade interactions to the eradication of redundant deep-rooted misconceptions.

## **The Preparation of Conditions for Renaissance and Reforms**

As a result of crusades, Europeans had the opportunity to meet the advanced East via this majestic trade route. During this period, the Islamic Civilization was far superior to them in every aspect of life. They were amazed by the wealth and prosperity of the Eastern world experienced in social, cultural, religious, economic, and other social life forms.

A new world view was inevitable formed in the mind of many Europeans by means of long lasting Crusades. In connection with this, novel concepts and understandings were born such as freedom of expression, individual liberty, the sharing of welfare, and the formation of social life. Thus, the great role of Christian Crusaders to the development of European civilization cannot be denied.

The western scholar Simon Ockley was frank enough to reject the incorrect conception of Western superiority to the East in the 1700's. According to him, the East not only produced more scholars but also offered better life conditions and facilities than the West. Regarding this, he stated openly the following quotation: "... I accept my total ignorance if ever (at all) the West added a stamp to the Eastern treasure of wisdom."

## **Social-cultural Importance of Anatolian Silk Road**

Anatolia, the crossroad of many ancient Silk Road routes, has many important characteristics. Trade caravans which set off from China traveled through Central Asia whose majority population consists of Turks eventually reached Anatolia. Social, cultural, and trading aspects of Anatolia will be mentioned in the following part.

## **The Importance of Anatolia as an Example to Cultural Pluralism**

Anatolia, a rather significant location on the Silk Road, used to host the most dynamic geography and culture from the economic, social, political point of view between the West and the East. Because of its geographical position, Anatolia has been the cradle of many civilizations as well as a bridge of transfer of culture between the East and the West since the ancient times.

Anatolia has been a peaceful place for various populations to maintain their diverse religion and ethnicity. Conclusively, it has been one of the rare places with liberal conditions for people to express and practice their religion and culture. An exemplary model of cultural pluralism has been maintained successfully for many years in this part of the world.

## **The Influence of Anatolia in Changing the Western Misconceptions about the East**

Because of its transit location, Anatolia played a major role in contributing to the interaction between the West and the East. Although one aspect of Anatolia looks at the West, the other aspect of it is inevitably related to the East. From this point of view, it has been a convenient and preferred place for many European people to get to know the wealthy East. Embassy Secretary Sir Paul Rycaut's book written about Turkey used to be one of the top travel classics about the East until 1666.

In 1686 a western traveler and trader French Chardin, in his book about his expedition to Iran, highlighted the fact that even though the Asian life style was quite different from the West, it was by no means inferior. The prevailing delusion of

Western supremacy until that time started to vanish. Accordingly, the climate to appreciate differences emerged and the rigid philosophy of Western superiority was abandoned short after.

### **Exemplary Social Solidarity Institutions: Caravansaries and other Charity Organizations**

Solidarity of Anatolian people is well-known and its examples can be seen in different areas. A highly developed social state with elaborate institutions used to be present in Anatolia several centuries ago. Travelers were able to stay for three days without language, religion, and race discrimination in caravansaries and khans which included bedrooms, bathrooms, stables for horses and camels, blacksmith, checkroom, doctors, veterinarians, maintenance service for carriages, and many other facilities to meet the needs of travelers. Surprisingly, these safe places for many travelers were free of charge in spite of the invaluable services they were offering like food, bathroom opportunities, and so forth. As far as their functions are concerned, these praiseworthy establishments which took in all kinds of people regardless of religion, color, and creed were the best models of social solidarity incomparable at that time. Correspondingly, traders, explorers, travelers worldwide found the opportunity to meet their fellows from other cultures and during their stay in these edifices with their stone ornaments and impressive design.

In 1747, well-known as an enemy of Turks, counselor Guer mentioned in his book "Moeurs et Usages da Turcs" his admiration and confession of Turkish Muslims with the following quotation: "Moslem Turks have developed several forms of charity: they donate money to the mosques whose Imams hand them over to the needy who are ashamed to reveal their identity; they establish Madrasah (a Muslim College) in order to contribute to science and philosophy; they build foundations as a memorial after their deaths; they construct khans and caravanserais, hospitals, fountains, bridges and so on. His expression of amazement of this civilization manifests their great compassion for animals, for they have numerous foundations where only animals can find food and receive medical treatment. Despite what has been mentioned, according to the author, Turks are still barbarous. It does not matter and change his fixed prejudice even though the author considers them as the most hospitable and sincere people.

### **Reliable Justice and Trade System**

In the time of Anatolian Seljuks', the trade caravans were insured and protected so that they could safely cross this territory without being targets for bandits and plunderers. With trade agreement with neighboring countries, they assured the transportation of merchandise without loss and theft from the East to the West. It is not wrong to say that they were the first to introduce the State Insurance System to protect and promote trade transaction through tax system. It is necessary to stress that the insurance and guarantee provided to trade caravans during that period has not been on the international agenda until recently. Thus, it essential to highlight the great role Anatolia played in the development of concept of insurance system in international trade regarding the protection of trade products. In the past the trade privilege of protection of caravans and their trade goods in Anatolia was a great relief for the traders especially in insecure places of the route. Accordingly, if Turks had not taken the responsibility to provide security in Asia and the Middle East, it was possible for Silk Road to loose its importance as a trade route.

Undoubtedly, the importance of Anatolian justice and jurisdiction system is unquestionable in the long survival of Silk Road. Disagreements in trade and marketing among merchants were resolved by means of these respected and authoritative institutions. Without religious and racial discrimination the impartial and objective judges were able to overcome all forms of trade problems and disputes taken to their law courts. Traders from different nations and countries had complete faith in the justice system on this highly civilized geography. The study of Ottoman archive reveals records of numberless trials and law decisions in connection with Silk Road Trade. These historical documents are very valuable in that they offer a very detailed description of trade activity during that period. It is obvious that the justice system in Anatolia provided safety and protection to the traders which facilitated the business in both directions in the region.

### **Conclusion**

From the economical, social, and political aspect, Silk Road still constitutes the most dynamic geography in the 21<sup>st</sup> century.

In the previous years Silk Road has been named "Dialogue Road" by UNESCO because of its remarkable contribution to dialogue and friendly interaction between the West and the East.

According to Ali Yasar Sarıbay, an incessant dialogue between civilizations is an alternative to Huntington's notorious doctrine of clash of civilizations. Unfortunately, his optimism is fragile as long as current powerful forces continue to act according to their egocentric interest and policies. He argues that the conflicts in the Middle-East look as if they depict already clash of civilizations, in fact they are based more on clash of religions which seems likely to spread further.

It is certain that nobody desires the disappearance of important values - language, culture, religion - in the formation of any new identity as a result of globalization. Therefore, in order not to vanish in this unavoidable process of globalization it is the right of every nation to develop dynamic strategies so that they can maintain their cultural identity in the new world design.

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## At the Origin of Caucasian and European Cultural Relations

Ketevan SIKHARULIDZE\*

The process of cultural exchange between Europe and Caucasus began in the remote past but it can not be restricted by chronological frames because it was a longstanding and multilateral process which lasted for millenniums.

The history attached a special role to the eastern and south-eastern part of the Black Sea region owing to geographic location and rich natural resources. A unified cultural environment was formed in this part and its advancement was promoted by the fact that the ancient centers of agriculture and metallurgy were established here. These are two spheres of economical activity which represent the most significant factors of the development of the mankind. In this period economical activity and world outlook made up a syncretic unity. Therefore, the high level of economical activity on its part promoted the establishment of a developed mythological-religious system which is also an integral part of culture.

In the mentioned region sorts of various grains and wheat are archeologically discovered. The ancient tilling and other agricultural tools, pits for storing grain, corn crusher as well as linguistic analysis of names of cultivated plants prove that Caucasians were one of the first to found agriculture which is certified by the Greek name of Caucasus – Georgia – the Land of Farmers.

It has been scientifically proved that the first metallurgists came to Europe from outside and Caucasians were among them. This is proved both by archeological material and terms denominating metals. Names of iron and copper are borrowed from Khatian and Kartvelian languages. They must have been originated from the names of the tribes which produced them (khalkos>khalubs=Khaliboi; ha-walkina>kinos=Kyani or Chani tribes).

Following the III millennium on a number of Central and Eastern European monuments close relations with cultures of Caucasus is observed. Transcaucasian metallurgic import is carried out in the European areas and the European zone of CircumPontium. At the same time the spectral analysis of some bronze items has shown that the metal is of local origin and it has a Transcaucasian form and appearance. It points to the fact that population and among them those who worked on metal migrated to Europe from Caucasus. They took with them mythological-religious concepts together with professional knowledge.

Culture was diffused to Europe from the Black Sea region via various channels but the main road seems to have passed through the Mediterranean Sea basin and the Balkan peninsula which to a certain point functioned as an extension tube from the point of view of economical-cultural convergence of Europe and the Black Sea region. Later, following the 8-6<sup>th</sup> centuries B.C. when Greek settlements appeared on the Eastern coast of the Black Sea, the European culture intensely moved to Caucasus.

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\* Prof. Dr., International Black Sea University



In the report we refer to those samples of mythological images the comparative research of which makes the relations of peoples residing in Caucasus and Europe visible yet in the process of establishment of mythological-religious systems. One of such samples is a well-known plot of a hero fighting with a Serpent according to which the Serpent is an evil creature and governs the element of water. The Serpent is slain by the Hero who is often the God of Thunder and he rescues the mankind from destruction. This is a classical model of the myth of Serpent fighting which appeared in the Indo-European culture comparatively later. It was preceded by an older, different archetypal plot fragments of which are saved in the Caucasian folklore and Minor Asian (Hittite-Hattie) rituals. The Serpent was a significant mythos image in them which personified abundance and functioned as a unifier of the universe.

The Serpent is expressed as a syncretic creature which has a body of a whale (a big fish) with a snake's tail and wings. Semantics of these attributes shows the connection of a Serpent to Earth, water and sky which means possession of knowledge related to all these spheres in the mythos language. Such significance is emphasized by the state of the Serpent described in the Caucasian folklore: It is lying on the top of a mountain at the precipice and is perceived as a visible border and unifier of the three universes. Serpent is the creature of earth and is associated with primeval forces. It possesses a special knowledge and thus is closely connected to the sphere of mantic (fortune-telling and oracle).

The Serpent transferred its wisdom and force to the hero grown up by it. This motive later appeared in the legends of the Serpent Eater and magic fairytales of European peoples (the Serpent Eaters comprehend the language of every living creature). The Serpent used to give to the Hero grown up by him a chain shirt – armor which made him invulnerable as a present. Apart from it, sacral signs used to appear on his shoulder: sun, moon and cross. Seemingly, it corresponded to the hierarchic steps of association with mystery.

It is appropriate to mention here a legendary information of Greek historians: “Serpent's teeth are sown in Colchis from which invincible heroes grow up from armored enemy”.

In order to obtain such wisdom and signs ensuing from it the Hero had to go in the depth of the Serpent (or its possessions). One of the firm details of the plot of Serpent Fighting comes from here – the Serpent swallows the Hero which comes reincarnated from its abdomen which is sometimes expressed in his external serpentine signs. This moment was directly reflected in the rituals of initiation in which matured young boys participated so that to become members of the masculine society later. The rituals were held in serpent-shape huts built nearby the settlement. The young men came out of there reincarnated in the sense of the second birth.

In the same context the dialogue between the King and the Serpent included in the Hittite royal ritual is read from where it becomes clear that the Sea Serpent, i.e. the whale (big fish) brings the throne and power to the King.

Based on the abovementioned it is not surprising that there was a strong cult of a Serpent in Caucasus which is proved by the abundance of megalithic figures – whales discovered in this area. On the back of some of these whales a fleece (sheep skin) is expressed which functioned as the patron of the country and the royal power according to the Caucasian and Hittite-Hattie mythology and so the fleece hung on the tree was

specially protected as the symbol of deity. Accordingly, the serpent which protected the fleece in the legend of Argonauts was not invented by Greeks but is based on the Caucasian and Minor Asian tradition.

It seems that the motive of the serpent killing was conceived in the archetypical plot. This could be carried out only by the hero introduced to its strength who was punished for treason. In the course of time change of mythological-religious notions caused inversion of roles and a classical model of Serpent Fighting was established. Due to the fact that the Serpent was attached the status of the enemy of the universe and the mankind, his killer won a heroic glory.

Certain similarity with archetypical plot occurs in the story of conquest of the oracle at Delphi by Apollo in the Greek mythology. Initially Delphi belonged to the Python borne by the Earth – Gea. In some sources it is referred to as Dolphin (Whale) the name of which was given to Delphi. Python means abyss, the bottom of the earth in Greek which is also associated with the primeval knowledge coming from the earth. Apollo killed Python and appropriated the oracle but the infuriated Earth confused the oracles and they were not able to prophet until Apollo expiated the sin. He spent nine years in the underworld for purification and only after that he became the ruler of Delphos. Having spent time in the underworld Apollo associated himself with Pythonian nature and actually he substituted Python which sometimes was reflected in his appearance. One of Homer's hymns says that Cretans were sailing to Pylos and Apollo appeared before them: "he sprang upon their swift ship, like a dolphin in shape, and lay there, a great and awesome monster".

Apollo himself spoke through the Pythia, the name originated from Python. Hypnotized from incense and smoke she used to fall to the earth from the tripod and prophet at the precipice which reminds us of the state of Caucasian serpent lying at the precipice.

Possibly, this plot or its separate motives spread to the Western Europe from Greece. Archetypical plot is not seen there but its rudiments have remained in the attributes and appearance of the hero fighting with the serpent. For instance, in the German epos Siegfried's body is covered with a hard horny skin which makes it invincible. The serpent fighter hero symbolically puts on the serpent's skin which points to the fact of his being in the depth of this creature. Semantically this armor equals to the chain shirt presented to the hero by the serpent.

St. George is the whale fighter as well and in the Christian iconography he is represented in the scaly armor of fish (whale). Metal plates are located in the form of fish or snake scales on it. Ornaments of this type are met on Caucasian bronze items and are called "fish-scale" or "fish-back" ornaments. Such an armor was used by Romans and must have spread in another countries from there but its mythological semantics had already been forgotten by that time.

Another example I want to focus on is about the old Europe custom, namely the knighting ceremony which is semantically close to one Caucasian tradition – the ritualistic function of Colchian-Kobanian sickles. Apart from being used as a weapon they were insignias of power and association with a deity. The location of the sickle was focused on in some tombs. It laid along the right shoulder of the deceased with the blade side and with the handle down. Such a position of the sickle corresponds to their application in the ritual which is also expressed by the cult term in Caucasus –

“shoulder christening”. This term is used to denominate the ordaining of the primary cult servant in the mountainous part of Eastern Georgia – Khevisberi (the community leader of mountaineers) though a sickle is not used in this ritual and his forehead, shoulder and hand are anointed with the blood of the animal to be sacrificed (in the same religious system there were people on whose shoulder or hand the deity used to sit and travel on the earth). The origin of this ritual is much older and its name is associated with the visible revelation of the divine light. A pagan priest or an adherent used to stand facing the east. The sickle on his shoulder reflected the beam of the rising sun and the adherent’s hand and shoulder were illuminated. Unlike ordinary sickles ritualistic ones were made of an alloy which reflected light well. The sickle had such a form that the beam on its handle left an impression of a moving flow of light. It was perceived as the “live light” of deity which may be considered divine benefit mentioned in orphic motets.

The mystical content of the ritual implied the wisdom of the adherent’s consciousness. Putting the sickle on the shoulder meant rejection of the personal, giving one’s own interests up. Following this the person belonged to the deity and was placed at His service.

The old European tradition of knighting was of the same semantic content. The king touched the shoulder of the knight-warrior knelt before him with a sword which equaled to the ritual of “shoulder christening”. From that day the knighted person gave up his interests and had to dedicate his shoulder, i.e. battle-craft and all his capabilities to the loyal service to the king and protection of his power. As the king and reign is blessed by the Lord it meant the service to the Lord. Other examples can be indicated in the relations of mythic-religious systems of Europe and the Black Sea region which have gone beyond the limits of one culture, acquired a universal form and today represent the signs of integration of these cultures.

## Caucasian Region and Caucasian Cultures and Subcultures

Lela PIRALISHVILI-IAKOBISHVILI\*

The tradition of culturological investigations existing so far did not consider the Caucasian region a subject of its study, neither is it regarded a topos having concrete geocultural identify compared with other cultural regions. Because of its specificity, eclecticism and uniqueness, setting it in the framework of the doctrine of scientifically identified eastern and western civilizations seemed impossible so far. These questions are still unanswered:

- What cultural orientation does the Caucasian region bear?
- Could it be regarded as one culturally formed area, which becomes quite difficult judging from its high degree of diversity?
- What are the prospects of the conserved cultures of the Caucasian region in the context of planetary strategy of current global integration?

With the background of current social, political, economic and cultural situation the Caucasian region and namely Georgia will have to make a choice and find its own directions in the process of Prospective integration and marginalization.

It is significant to undertake a comparative study of available cultural information and on the basis of existing cultural experience examine (palpate) maximally painless ways of integration and adaptation. In the framework of mentioned targets the possible subject-matter may be defined as follows:

1. The problem of historical identity in the Caucasian cultures and subcultures (the issue of linkage of native history and its degree).
2. The problem of definition of time-spatial orientations in the Caucasian cultures.
3. The issue of religious identity and time-spatial continuum.
4. Ethnic identity and ethnic tolerance.
5. The exploration of traditional forms of gender-specific stereotypes in the cultures of the Caucasian region.
6. The issue of adaptation of traditional forms of religious, ethnic and gender-specific identity.
7. The popular diplomacy and the definition of possible vectors of conflicts.
8. Variant forms and types of description of the subject of ethnos and culture in the culturdogical paradigm.
9. The regime of functioning of political and economic culture and the degree of their determination In the general cultural context

Proceeding from the complexity of the task we think to undertake a comparative study of Georgian Culture and the Caucasian cultures and subcultures within three basic and most important paradigms

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\* Prof. Dr., Georgian Academy of Art

- Classical proto-state of culture
- Dynamics of culture and its historical chronotype
- Postcultural state of affaire and the mechanisms of adaptation of culture.

The classical proto-state of culture is a divine tabu, while the first cultural creative act is ruining the tabu. The verbalisation of proto-state of culture takes place according or cosmogonical and cosmological principle of narration.

The ruin of tabu and cosmogonical narrative are substituted to the description of cosmological time-spatial continuum which converses us into dynamics of culture where ethnos becomes the subject of aesthetic transcendency and begins to mark and realize aggregate ritual forms.

### **The Caucasian Cosmogony and cosmology**

1. Aggregate forms of everyday life of the population of the Caucasian region.
2. The Caucasian poli-religious, poli-ethnic dimentions and the aggregate system of values.
3. The aggregate aesthetic structure of the population of the Caucasian region.
4. The aggregate structure of ethics and values.
5. The post-historical epoch and the problem of adaptation of the Caucasian people.

The fact, that the irrational axis which unvoluntarily strives to set the Caucasian geographical space in one aggregate cultural paradigm is not the problem of only recent period. The Caucasus, considered as one separate body, indeed a mosaic of ethnicities and religions, creates really one whole kaleidoscopic picture. But in spite of this, during the whole world history the region was somehow united by the key system of values, which was common for the population of both the highland and the lowland of the Caucasus. We shall try to give the systemic analysis of a few above-mentioned basic questions and highlight the prospects of the Caucasian culture of the post-historical epoch.

In this respect, the first thing that is important for the Caucasian space is the fact that the Caucasus is quite unvoluntarily a unity, a topos of four cosmogonical elements (earth, water, air, fire). Certainly, such places are not so few in the world but this archaic cosmogonical scheme has been preserved and retained its vitality so far; and the high degree of the conservation of the Caucasian culture is conditioned by this archetypical model having been kept in the minds of aboriginal people. The mythological characters of the Caucasian cosmogony observe mainly common ritual custom and create the picture of cosmology according to cosmogony applying non-topological principle.

Those universal, mysterial, ritual and symbolic schemes which may be considered a basic skeleton of the world mythology cluster in graphic, ritual and symbolic unity in the Caucasus. Vital and preserved up today the whole spectrum of graphic identities of divinities and their panorama or the similarity of symbolic graphic signes enables us to suggest that the universalism of cosmogonical schemes in this concrete topos is embodied in the system of quite unique images. That's why the consideration of the Caucasian cosmogonical space as a single Caucasian cosmology is

possible only through formal unity of characters. As far as the cosmogony can be considered an autonomous culture, and because the culture itself already implies a definite space of power, the cosmogony changes into cosmology and transforms into a definite element of ethnic, habit, tradition. This is already a creative sphere, where creative forms assume crucial importance and are shaped as elements of ethic. The ethic is a form of creation.

Proceeding from the above-mentioned assumptions, we may say that the "accumulated" archetypal character-the initial image of the Northern and the Southern Caucasian regions is Amiran who experiences all four stages (earth, water, air, fire) of initiation:

1. Amiran easily gains victory over the astral creatures of the underground world-the black, red and white devs (giants).
2. Amiran experiences the second initiation with water in the stomach of a giant-whale.
3. His initiation with air takes place when he wins the struggle against the armed guards of heaven in the realm of Kamar's father-Wind.
4. As a result of the initiation with fire Amiran becomes finally chained to the high mountain range of the Caucasus and remains in the kingdom of fire forever.

Amiran's mythologem originates in the Caucasian mountains as one single aesthetic principle and to some extent is reflected in the lowlands of Georgia, as far as in the low-lands its topological provision takes place.

These four elements can not be united (the unification takes place thanks to close contact of wind, earth and fire in the plain area among the Black sea, Trialeti mountains and the Caucasus) without the southern lowland of the Caucasus. It should be noted here, that this mythologem is not spread among the peoples of Armenia and Azerbaijan, it is not the model of their archetypal behaviour-the reason is unambiguous-the mythologem of Amiran is an inseparable part of mountains which can hardly be found in Armenian and Azerbaijan geographical environment.

Initially there was no hegemon to create a civilization element necessary for geoculture in the Caucasian region. Conditionally, the same role might be carried out by the development of economic activities i.e. by using the so called "Silk road", passing via Georgia. Though, in this respect, it should be noted that the territory of contemporary Georgia and its vicinity functioned as the Caucasian-regional centre at that time (that's why the principal symbol of a new cosmology-Christian myth-Svetitskovieli was important to be considered somewhere nearby Tbilisi) and Christianity too as a new cosmological principle acquired new centrifugal and centripetal tendencies relative to the rest of the Caucasus.

The schematic picture of cosmological images is quite well reflected in the architecture of nomadic and sometimes of settled ethnos too, residing on the southern and northern slopes of the Caucasian mountain range. They may be considered the first art-forms of this kind. The tower itself-an architectural scheme of ritual purpose, is designed according to cosmological principle. A typical Caucasian tower (e.g. Tushetian) is a five-storied construction (having five garrets and floors) figuratively depicting five underworld layers, which give us the idea of cosmogonical model of the

Caucasian world. From this point of view, the gender-specific structure of the tower which reflects special, functional role of a man and a woman in the cosmos assumes great importance. The first floor is designated for domestic animals. The second floor is the dwelling of women. They are busy with habitual "feminine" work.

It should be noted, that only men shepherd sheep (sacred animals). Women take care of only cows. The third floor is the place of meeting for men and women. Only men live on the fourth floor; the last, fifth floor is regarded to be the gods' place their domain. Women had no right to observe or step into that area.

It seems also quite interesting to note that parallels to this vertical structural-topological systems there exists one single horizontal topological system which gives one single or quite a similar scheme of sacred ritual behaviour in the horizontal space. The realms of the "Mother of the place" and other divinities are also structured by the ritual schemes. The sacred place is confined only to men. Women are forbidden to enter its borders.

### **The Debate on the Similarity of "Structuring" Divine Space is possible**

In the traditional Caucasian society a family represented (as well as it does now) a central topos, which has preserved a status of value up today. According to recent sociological data it is one of the top values on the list of priorities.

Despite the fact, that this cultural region having ancient history, shifted to different religious identities, underwent industrial adaptation and at the moment it on the way of informational adaptation, the archaic model of family is still quite strong here and is only may manage to lose its position in the process of adaptation to globalisation. This one single archetipal model unambiguously conditions common formal-ethical norms of behaviour and above all, those general forms and principles which create culture and are reflected in it. At the same time it defines the common value system which despite being poliethnic and later polireligious systems contribute to relational self identification in the region.

The geocultural orientation of the Caucasian region becomes even more significant in the process of globalization. But is the Caucasus the bearer of a single cultural orientation especially as its cultural tissue is heterogeneous not only ethnically and anthropologically, but religiously too. In such morphologically complex cultural environment Georgia assumes great importance not only from economic but from political point of view as well, demonstrated by e.g. transnational economic projects and except this, transpolitical virtual revolution.

In the Caucasus Georgia is the crossing point of numerous cultures, the place of gathering, with indeed different values-Asian, European, Christian, and Muslim, traditional and post cultural values-represented distinctly. Despite this we must admit that first of all it is basically a country of conserved culture (but not conservative) as well as is the whole Caucasus.

It is obvious, that the conservation of culture is one of (if not the only) the protection mechanisms against historical cataclysms of which the country had been suffering for hundreds of years. The conservation of the national cultural forms seemed to be the only way of preserving them.

Gaining national and state identity makes the reflections upon personal and cultural self-identity possible. It is apparent; that the citizen of a free country doesn't need any high degree bounds to traditional forms because it is no more the only measure of protection against foreign cultural expansion for him. That is why his efforts are mainly directed to social identity. This is the reason behind the ruin of traditional stereotypes and deconstruction of social roles.

The globalization process forces the Caucasian geo-culture to come up against new possibilities. It has been given a chance to become the only cultural transit region, which will contribute not to diffusion of various cultures but become an actual topos for cross-cultural dialogue.

In the Georgian geo-cultural topos each culture becomes open and transparent. This global tendency creates a conflict regime for the Caucasian culture. It remains conserved on the one hand but is a transit area on the other hand. This is the actual reality in our culture.

As in every culture, there exists in the conflict regime the issue of self-identification, which does not cause problems. But there are some tasks to be carried out:

The cultural strategies of the Caucasian region need to be redefined, and a new strategic orientation of cultural politics should be worked out.

The role of Georgia as a medium and trans-space between the North and the South Caucasus, between the East and the West should be clearly outlined;

In the context of new historical globalization the relations among the North and the South Caucasian ethnic, religious, gender-specific cultures and subcultures have to be defined.

Proceeding from the above-mentioned assumptions consideration, of Georgian culture as a mythological and ritual one in the paradigm of European culture seems necessary.

Reduction of contemporary Georgian as well as the whole Caucasian culture to one single concrete description is impossible. It is designed like a mosaic and hence reflects the structure of the whole Caucasus from the point of view of social, cultural and regional description.

On the one hand, it may be described as an urbanized one with the centre in Tbilisi, and on the other hand, as a pseudo-ritual one reflected in the traditions and mentality.

The subculture of Tbilisi is the symbol of urban culture in the Caucasian culture. It represents a special phenomenon, which embodies not only Georgian culture with its diversity, but is quite wider in content. In essence it may be regarded as the centre of the South Caucasus. It is the cultural topos, actually the transit area for every subculture and the Caucasian culture as well.

The urbanization process is difficult to comprehend for unadapted consciousness. Especially for those information flows, which penetrate the whole social body of the Caucasian ethnoses. The Georgian social space has passed through the two most complex adaptation processes:



The industrialization of the beginning of 20<sup>th</sup> century.

Incorporation in the contemporary global processes by means of total informatization.

The restoration of the Georgian statehood facilitated adaptation to the above-mentioned global processes accelerating redistribution of social structures. Traditional social roles have not been considered relative to new social and economic politics yet.

After a difficult process of accommodation to industrialization, our consciousness has faced a new dilemma. Building of a state manifested a new social, political and cultural conflict against the background of world globalization. The economic crisis, the stagnation in the production process, the heaviest social climate in the traditional values insured serious havoc, and provoked the deconstruction of the structure of traditional roles and inner values.

The traditional values themselves which represented ritual, nearly pagan paradigmatic axis (especially in the Georgian mountainous regions), had been devoid of religious content and were preserved in the form of traditions. In the process of world globalization the orientation to the traditional values may be considered a main reason behind the political crisis. That is why the state building process turned out to be so painful. A serious abyss has been created between the ruling elite and the people, the center and the regions. The marginalization of intelligentsia, a creative resource of the nation, is under way. The degree of credibility to popular actors of non-governmental sector bearing imported ideology is extremely low. If, on the one hand, circles oriented to the western values propagate democratic ideology, and this ideology and liberal values are more or less acceptable for the urbanized population, it is not immanent for the majority of rural population. It comprises the same, violent import for them, which, like the communist ideology, has been imposed against their will. That is why they retain the conflicting situation with their own identity even today (as they did in the Soviet period).

The cultural identity and representatives of both Georgia and the whole Caucasus takes us back to the sphere of mythology, philosophy, literature and art, where much more obviously and painfully, but at the same time harmoniously non-traditional and institutionalized structures coexist.

During the last decade the current processes ongoing in Georgia enables us to make presumptions about the real threat of globalization in the virtual informational space. Because of high degree of conservation of Georgian culture the country failed to filter the information flow to which it had not been adapted either in the 90s or in the 2000s. Besides, the culture preservation regime of the recent years calls our attention to the fact that the rapid coping with informational globalization is under way. There are 12 television channels only in Tbilisi, to say nothing of regional television and press services. Democracy has been substituted by telecraty. Currently, an informational conflict is going on.

Informational concepts which give us the possibility: of characterizing globalization not as political or economic but as cultural paradigm, enables us to think that the culture is that particular universality which makes the incorporation into a new myth-globalization-possible.

## Georgia – Gold Cut of Eurasia

Tornike ALASHVILI\*

Since the ancient times famous thinkers, and travelers unanimously supported a particular location of the Caucasus, namely Georgia in geographical, cultural and geopolitical space of the world. Since the earth was divided up into continents, Georgia has been defined as either Asian or European country or it has been divided in the middle. Our aim is to bring to light the Caucasus-Georgia, as a distinguished cultural and geographic phenomenon, that on the basis of the proportions of ‘Gold Cut’, is located at the crossroads of Eurasia.

The Intelligent human eye can distinguish things and living creatures by their color and shape. This or that shape that is formed on the basis of ‘Gold Cut’ and the replacement of symmetry attracts the attention by its harmony and beauty.

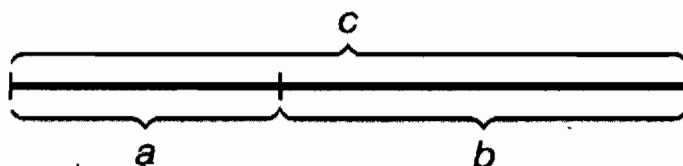
‘Gold Cut’ – the proportion of universe harmony is in general a formula of common principles of the development and arrangement of nature. It has been known to mankind since the ancient times. A great scientist Pythagoras found the conceptions of ‘Gold Cut’ in the thoughts and deeds of ancient Egyptians and Babylonians. Euclid used it while dealing with geometry. ‘Gold Cut’ is obviously noticeable in immortal sculptures of Phidias. A great Greek philosopher Plato suggested that the Universe is arranged according to the proportions the ratio of noticeable to ethical principles.

Great representatives of the European Renaissance of the Middle Ages and of later period – Leonardo da Vinci, Michelangelo, Durer preached about God-given harmony of ‘Gold Cut’.

Well-known scientists Pacholini and Einstein were studying the exact mathematical (numerical) meaning of ‘Gold Cut’.

Geometry suggests a formula of the above-shown proportions of ‘Gold Cut’ –  $a:b = b:c$ , while  $c = a+b$ .

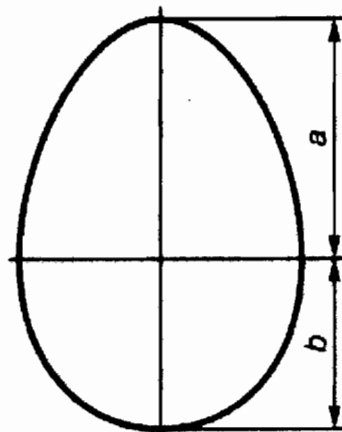
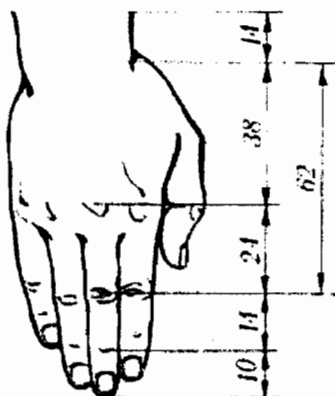
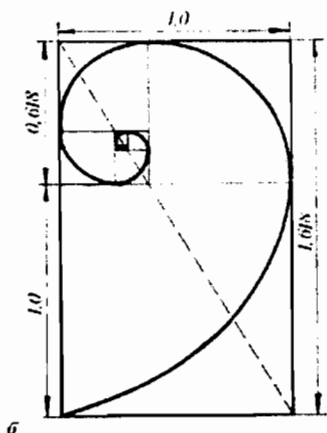
When  $c = 100$  then  $a = 38,2\dots$   $b = 61,8\dots$



The particular abundance of symmetry and proportions of ‘Gold Cut’ is very characteristic of Living nature. It is noticeable in the shape of plants, trees, flowers, leaves, in snail’s spiral, in human body, in the proportions of face and limbs.

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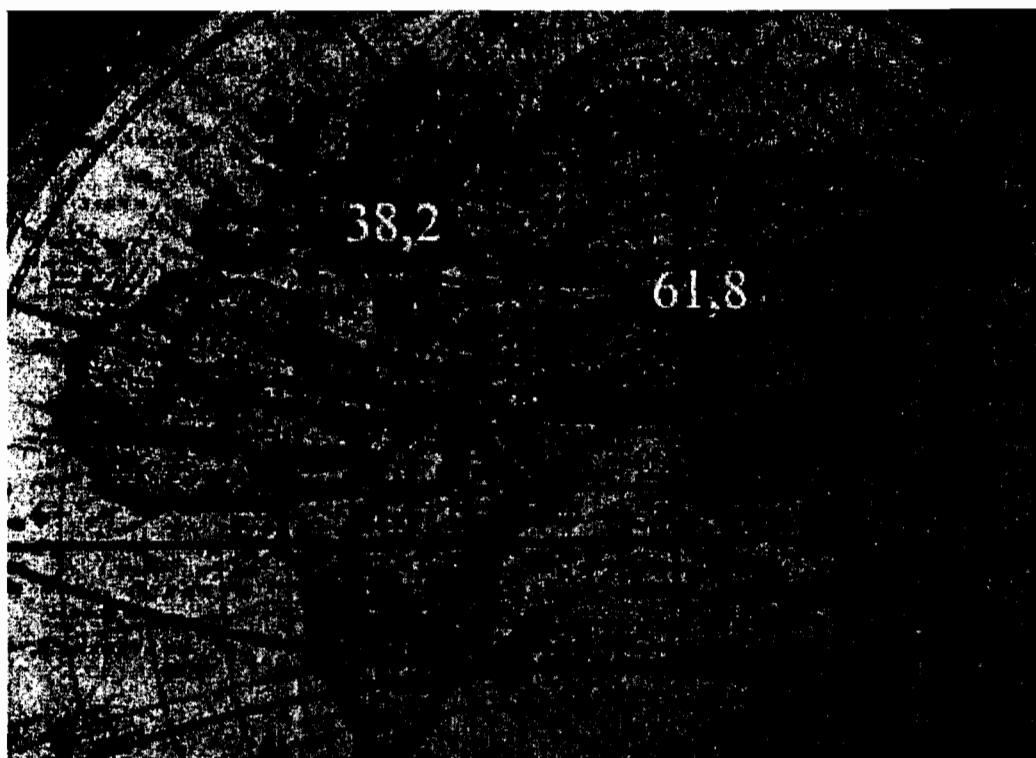
\* President of Georgian Traditional Medicine League and Homeopathy



The proportions of 'Gold Cut' is characteristic not only of living nature but it also acts as life-giving stimulus to mankind generally, as well as to Georgian art, literature, architecture, music and painting. More than half of the lines of Shota Rustaveli's poetic Bible 'The Knight in the Panther's Skin' are asymmetrically close to 'Gold Cut'. The rest of it, almost half of it, is represented by symmetric semi-lines, that results in particular harmony and melody of the poem.

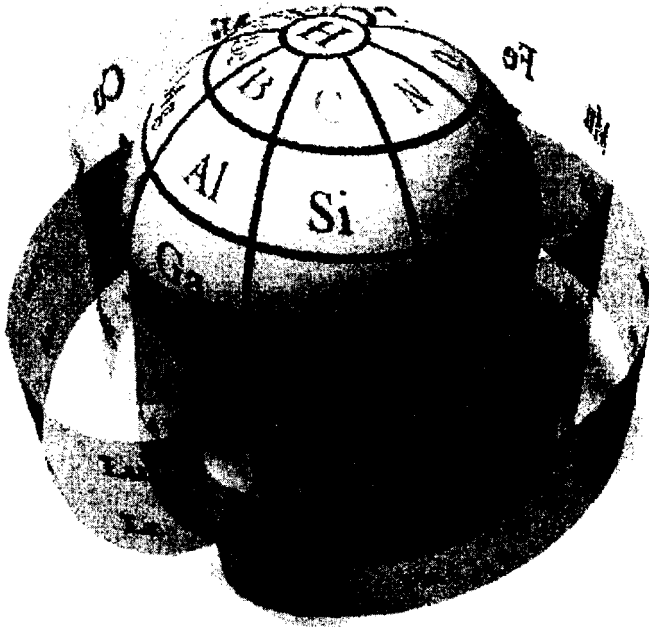
The proportions of two mother continents Europe and Asia subordinates to the principles of 'Gold Cut'. The Caucasus, namely Georgia, is located at the crossroads of

Europe and Asia and is extremely separated from oceans. The Caucasus is in Pole and the equator and is separated between the oceans on the basis of the proportions of 'Gold Cut'.



We would like to turn attention to a space model of chemical elements. It is a spiral located on hemisphere. We arranged the space model of chemical elements on terrestrial Globe so that hydrogen – the first element and the most spreading substance (63%) in the universe coincides with Georgia and the space of removal of main elements to sub-group elements coincides with Himalayas and Tibet. The main elements of the periodic table fully covered the Eurasian and African continents.

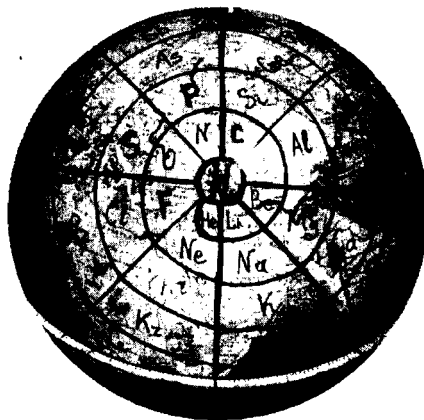
In chemistry it hasn't been identified yet to which group the first element of the periodic table – Hydrogen belong to. We have shown that it is in the middle of the space model of the periodic table, like a central point in a clock and it belongs to none of the element groups. The above-mentioned clearly explains the combination of its rusting as well as restoring features. The Caucasus, Georgia is in the same position as Hydrogen. It, as state, political, cultural phenomena bears features characterized for Europe and Asia continents simultaneously.



That's why this region of the Universe is considered as the cradle of the East-Western civilization. The Caucasus, Georgia is located in the Gold Midst of Eurasia. Millenniums, centuries ago this 'gold Midst' of the Earth used to be a 'battle-field' of rivalry between two greatest empires. Then Georgia was allotted to virgin. Then it stretched from Nikopsia to Darubandi. It was a Christian citadel of East, a restraining and destructive fortress against invaders.

Today world current events are especially felt here in geo-political space of the Caucasus and Georgia.

We live in a world that faces political and ecological cataclysm. To prevent ecological and social-political cataclysm we suggest everybody to take a special care of this 'Gold Midst'. Giorgi Odishvili's (Georgian monk and poet) world sound like calling: 'Today I declare Georgia the world reserve'.



## The Fest “Alavrdoba” and Traditions of Interreligious Dialogue in Georgia

Zaza PIRALISHVILI\*

A general overview of major characteristics of the religious life in Georgia during the last three decades reveals its shift from the repressed and socially not-contextual forms to the forms of religious nationalism. The beginning of 90s might be considered as a conventional border. This is a time when the country gained independence and the sense of fear paralyzing religious life even during a relatively liberal period of Communistic regime had disappeared.

Fathers and supporters of the Soviet ideology could state that neither religion existed in their countries, since it would mean well-organized and socially active religious movements. Religious feelings urged the individuals to spiritual inquiries. It might sound strange, but to some extent it was a golden age for a religious life itself. Completely isolated from all social processes, it got the chance to direct all its contents inside; free from missionary competition it could direct all the attention towards its live origins. All of us, regardless of our religious faiths, were craving for all means to satisfy our inner searches; therefore, the borders among different creeds had only somehow formal character. We knew that we should have saved the most important thing one has – eternal and adventurous spirit. No matter how hard Bolsheviks tried to imprison it in the body of Homo Sovieticus, our mission was to save it.

What is important is that inter-religious dialogue was not an ideological demand of that time, but a necessary condition for the religion and thus the essence of human being. In 1962 Georgian Orthodox Church joined World Council of Churches and Conference of European Churches. In 1979-81 the Patriarchy of Georgia organized theological discussions between Georgian Baptists and Orthodox Christians. I attended those discussions and can confirm a positive attitudes existing between the sides. There were not just theological discussions but dialogue on salvation of a spiritual life.

Theodor Dostoevsky, in one of his short novels – “Funny Man’s Dream” – describes how evil penetrates the world of chastity, and how love is substituted by jealousy and mistrust. Religious life during the Soviet period was not untainted for sure; interreligious relations were not completely pastoral either, though the repressions from the Soviet authorities created the picture, which gave us the ground to make such analogy.

If we want to describe briefly the reasons for the changes, we shall mention the emergence of a religious market as well. Those new religious organizations possessed the technologies of the religious marketing. For orthodox believers the notion of market and free competition was incompatible with the notion of religion. Religion, the “home of truth”, the truth articulated doctrinally and institutionally could not be the part of a market competition. If we cite Mark Juergensmeyer, here we encounter such concept of institutionalization which might be a precondition for a religious nationalism and religious conflicts<sup>38</sup>.

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\* Prof. Dr., Ivane Javakhishvili Tbilisi State University

<sup>38</sup> Mark Juergensmeyer. *The New Cold War?. Religious Nationalism Confronts the Secular State.* University of California Press, 1993. p.178

The general background of religious fundamentalism is as follows: If religion is a home of the truth then it should be the only legitimate authority. Any kind of different opinion shall be considered as a cosmic conspiracy against the truth. As the rule, the idea of Masonic conspiracy imported from Russia undergoes further fertilization on local grounds, and sometimes receives quite absurd connotations: besides non-traditional religious groups and NGOs protecting religious minorities, Catholics and even Muslims are also blamed for participation in this conspiracy. It has become possible to sanction any kind of religious violence using different religious texts. As Rene Girard calls it, metaphysical and mimetic symbolism of religious violence comes into force<sup>39</sup>.

In the beginning of 90s religious nationalism was a part of cultural nationalism, though after the middle of the 90s it became a separate ideology. First of all it was a strong social demand generated by the adaptation crisis. Several generations of the Soviet people lived isolated from the outer world and naturally, their "return to the history" was accompanied with a cultural shock. Secondly, the extremely corrupted secular authority of the country could not do anything to improve the economic and psychological state of the people. Orthodox religion, the only faith for the 80% of Georgian population has become the symbol of salvation.

The contradiction among different religious groups was not only growing because of Orthodox Church and its claims of being religious legatee in Georgian reality. Here we should also mention the occupational motivation of some nontraditional religious movements striving to establish themselves. Everything was strengthening the fundamentalist feelings.

Political parties and governmental structures rarely took time to think of new forms of a religious co-existence. The Government considers legitimate accommodation of religions only when situation is becoming too stressed. Since the 90s, the issue of the religions factor has been mainly an instrument to get the authority for most of the politicians.

In the second half of the 90s, a secular educational system became the object of constant attack. More often, the request to declare the Orthodoxy as the state religion was heard. This idea gained a huge support in the society. The sociological survey conducted in 1999 revealed that 57% of respondents supported the idea to base the State on the Orthodox principles. Among students 62% were in favor of the same idea. I dare to say that this idea was imported as well. It is a widely known fact that Metropolitan Kiril of Smolensk and Kaliningrad who exerts a great influence on the Russian Church once declared that governance of judges described in the Bible is the most suitable condition for every orthodox country.

To understand history, the leaders of religious nationalism don't use the terminology of liberalism and democracy, but interpretations of Huntington's theory on the clash of civilizations as interpreted by a Russian geopolitical theorist Alexander Dugin, who describes it as an idea of alternative development of Eurasian civilization. There were also attempts to connect ideologically Orthodoxy and communism, and Stalin many times has been declared as one of the true Orthodox Christians who saved

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<sup>39</sup> Rene Girard. *Violence and the Sacred*. Baltimore: Johns Hopkins University Press, 1974. p.36.

Russia from Jews dictatorship. In the end of 90s Genadi Zuganov the leader of the communist party declared communism as a social doctrine of Orthodoxy.

We view, as one of the most dramatic and symbolic forms of religious violence, the fact that Protestants and Catholics were requested to leave the Alaverdi Episcopal temple. The point is that Alaverdi Temple has a very important symbolic meaning. It was built in the VI century A.C. Inside its yard there is a small Muslim chapel. It has been the place for one of the most famous religious festivals starting on September 23 and lasting three weeks. For centuries it was the place where Christians, Muslims and pagans were gathered. Market and various sport competitions were organized and thus the tradition of a religious co-existence was created.

Cultural identity, as an imperative, in Caucasus has been placed in a very particular frame; Caucasus due to its religious and ethnic diversities, permanently faced the task of forming a common communication space. Religious fest of "Alaverdoba" was a very interesting case of such a common communicational space.

This cathedral isn't the only place for such meetings and dialogues. There are also a few worship places with primitive buildings in Georgia, where till the middle of the 90s of last century, even in the times of Chechen war, Muslim Chechens arrived from Russia and conducted religious rituals together with Christian Georgians.

In my opinion, such cases create the prefigurations of co-existence of cultures and religions which in future must guarantee peace in Caucasus.

Several times through mass media I put forward the idea of regeneration of Alaverdi multi-confessional games. However, neither businessmen nor politicians expressed interest.

After the November events of 2003 the idea of a secular state has been rehabilitated in Georgia. Though I think, the Georgian government still does not have a specific religious policy. But still the situation is changing. This fact gives me grounds to hope that Georgian society will manage to pass the phase of a religious nationalism without too much pain, and we could meet each other on Alaverdi inter-religious games some day.



## As a Cultural Bridge between Asia and Europe Anatolian Caravanserais on Silk Road

Kadir KAN\*

In this paper, after giving information on how caravanserais on Silk Road in Anatolian route were managed and functioned, its contribution to trade and cultural life in the middle ages will be dwelt upon.

Transportation of the silk of the East and other goods carried in caravans to West formed a trade road, currently called 'Silk Road' stretching from China to Europe. The Silk Road, one of the oldest and longest international trade roads of the world, economically developed the areas through which it was passing, enhanced prosperity of people and acted like a bridge and meeting ground of cultures and civilizations between East and West.<sup>40</sup> Thus, it enabled a lot of different religions and nations to meet and exchange their cultural values. Anatolia, geographically a bridge between Asia and Europe, has played an important role in international transportation for thousands of years. As a result of this, in different ages, some trade road nets like King Road, Trade Roads in Roman times and Silk Road covered all over Anatolia. In the middle age, Silk Road which began in China, reached up to Anatolia regarded as a bridge by following more than one route and from here in the direction of East and West, North and South, stretched up to Europe.

Seljuks, who conquered Anatolia, which was very important in terms of trade in the time of the Byzantine shaped their policy in a way that they would make Anatolia more popular in terms of trade and benefit from potential international trade. First of all, they conquered trade roads and coastal areas like Sinop and Antalya, which were the doors opening to the outside world. Sultans of Seljuks made treaties with other neighboring states to regulate trade in the region.<sup>41</sup> They gave freedom to Christian merchants to make trade as equally as Muslim ones in Anatolian land. They provided state insurance against robberies and loss that merchants had to go through. In order to protect trade, they established 'state insurance system' and tried to encourage trade by subsidizing custom tax. They also endeavored to fulfill the political unity of Anatolia for the continuation of trade activities and integrity of economy of Anatolia.<sup>42</sup>

In addition, Seljuks, who did their utmost to keep the middle east part of Silk Road as an international trade road without neglecting the infrastructure of trade, built caravanserais in order to protect caravans carrying rich trade goods from the intimidation of enemies at borders and to provide secure shelter for merchants and protect them from the robberies of bandits, and also in order to meet caravan's needs in a secure environment. They surrounded the caravanserais with strong ramparts on which they built towers and made the caravanserais more durable and stronger by making iron gates for them.<sup>43</sup> Caravanserais that look like castles from distance were the places

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\* Ph.D. Candidate , Uludag University Theology Faculty, Department of Islamic History and Arts, Bursa Turkey.

<sup>40</sup> Kitapçı, Zekeriya, Yeni İslam Tarihi ve Türkistan, İstanbul 1991, Vol. I, p. 227-228.

<sup>41</sup> Koca, Salim, Türkiye Selçuklu Sultanlarının İzledikleri Ekonomik Politikalar, Türkler, Vol. VII, p. 346.

<sup>42</sup> Cahen, Claude, "13. Yüzyılın Başında Anadolu'da Ticaret", Selçuklular, Cogito, İstanbul 2001, number: 29, pp. 136-137. Koca, pp. 346-347.

<sup>43</sup> Turan, Selçuk Kervansarayları, p. 479.

where caravans would meet their needs of all kinds. The first examples of caravanserais are seen in middle Asia.<sup>44</sup>

Caravanserais were built as a foundation by sultans and senior state officials on important trade roads, generally at the intervals of 30- 40 kilometers, which would take one day on camel back or walks of not more than 8-10 hours.<sup>45</sup> The first construction of caravanserais, which had some source of income like rich houses, shopping centers, bakers, hostels, baths, arable fields, lands and farms,<sup>46</sup> started for the first time in the time of Kılıç Aslan II and in a century, the trade routes of Anatolia were netted with caravanserais. The research has proved that there are more than 200 caravanserais in Anatolia.<sup>47</sup>

For instance, the road used by northern Azerbaijani merchants and Georgian merchants of Tbilisi, would tie Tebrizi to Istanbul through Erzurum, Sivas, Ankara, Bursa. On this road a lot of caravanserais were built. It would take 40 days to arrive in Konya, the capital of State of Seljuks from Tebrizi, and on this road between Kayseri and Sivas there were more than 24 caravanserais.<sup>48</sup>

In the time of Seljuks, caravan routes became desolate owing to the loss of interest in trade in Anatolia and geographic discoveries. On founding new trade routes, in the time of Ottoman Empire, caravanserais were still built. On the road tying Istanbul to Arabian Peninsula via Syria, caravanserais were built in order to meet the needs of pilgrims.<sup>49</sup>

In caravanserais, there were dormitories and refectories, food storehouses, trade warehouses, stables, haylofts, mosques, libraries, baths, hospitals and drugstores, shoe makers to repair old shoes or to make new ones for poor travelers, horseshoers, and officials to calculate income and expense and run these establishments.<sup>50</sup>

In the vakfiye (charters of waqfs) of caravanserais, all needs of caravanserais have been worked out and all necessary elements and factors have been mentioned by the foundation. The vakfiye of Karatay caravanserai on the road between Kayseri-Malatya, dated back to 1240-1241 and still in good shape, gives detailed information on how the caravanserai functioned at that time. The vakfiye says clearly that all passengers Muslim or non-Muslim, free or slave man, male or female, should be treated equally without any discrimination, and their need should be met.<sup>51</sup> All kinds of merchants or travelers coming to caravanserais, regardless of religion, language, race,

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<sup>44</sup> Turan, Selçuk Kervansarayları, p. 489.

<sup>45</sup> Turan, Selçuk Kervansarayları, p. 471.

<sup>46</sup> Turan, Osman, Selçuk Devri Vakfiyeleri III, Celaleddin Karatay, Vakıfları ve Vakfiyeleri, Belleten, Ankara 1948, vol. XII, number: 45, pp. 62-67; Kayaoğlu İsmet, "Selçuklu Vakfiyeleri ve İçerdikleri Sosyal Motifler", Türkler, vol. VII, p. 281; Yiğit, Hülya, "Selçuklu Kervansaray Vakıfları, Türk Dünyası Araştırmaları", number: 157, pp. 69-70.

<sup>47</sup> Özergin, M. Kemal, Anadolu'da Selçuklu Kervansarayları, İÜEF Tarih Dergisi, number: 20, p. 143; Bektaş, Cegiz, Selçuklu Kervansarayları Korunmaları, Kullanımları Üzerine Bir Öneri, İstanbul 1999, p. 27.

<sup>48</sup> Diyarbakirli, Nejat, "Turkish Contributions to Cultural and Commercial Life along Silk Road", The Significance of the Silk Roads in The History of Human Civilizations, İndependent Seminar, Japan 1988, p. 177.

<sup>49</sup> Turan, Selçuk Kervansarayları, pp. 492-493.

<sup>50</sup> Turan, "Selçuk Kervansarayları", pp. 483-486.

<sup>51</sup> Turan, Celaleddin Karatay, Vakıfları ve Vakfiyeleri, pp. 85-96; Çetin, Osman, Selçuklu Müesseseleri ve Anadolu'da İslamiyetin Yayılışı, pp. 181-182.

rich or poor, Muslim or non-Muslim, whoever it is, could stay for three days free of charge, and all their needs would be met and all expenses would be funded by the foundation. In caravanserais, ill passengers were treated until they got well again and injured animals were treated by vets, and all expenses were met by the foundation. When poor people died, their burial ceremony would be carried out by the foundation free of charge.<sup>52</sup>

While merchants' stayed in caravanserais, the places where they would perform their religious rituals have been taken into account. It is very evident from utterances of Muslim and members of other religions that travelers would do their praying and religious rituals in caravanserais. In almost all caravanserais, mosques were built for Muslim passengers to worship. In addition, in the last times of Ottoman Empire, according to what Aubrey Herbert said in his Istanbul memoir, in Eminonu Valide Caravanserai, public festivals were carried out by Iranians like Ashure Festival.<sup>53</sup> Galland who set out with a French ambassador, wrote about his participation in a religious ritual carried out by Pope Canisares in one of the rooms of caravanserai where they stayed in Babaeski at around 3 or 4 o'clock in the morning.<sup>54</sup> Pope Michael Chamchian in his book called Bamutyun Hayots published in Venice in 1786 on the history of The Armenians mentions that Catholic Armenians in 1740 organized the ritual called Messe (Kudas-ı Şerif) in Sofcu caravanserai in Istanbul.<sup>55</sup>

Caravanserais were used by merchants as well as travelers. A traveler, who set out from Iberik Peninsula to go to legendary East, had to pass thorough Anatolia regarded as a bridge on SilkRoad. Travelers like De Buspecq,<sup>56</sup> Dernschwam,<sup>57</sup> Sarre,<sup>58</sup> Tavernier,<sup>59</sup> De Nerval<sup>60</sup> conveyed that in Turkish caravanserais, poor-rich, everybody would stay comfortably and in these places, they spent nights with Christian, Jew, Armenian, Roman and Muslim merchants.

For instance, for the continuation of trade, at Yabanlu Bazaar in the proximity of Kayseri, where a lot of caravanserais were built, in the reign of Seljuks, a lot of merchants from Geneva, Venice, Napoli, Italy, France, Byzantine, Russia, Kipchak, Syria, Egypt, Iran, Turkhistan would come together for trade.<sup>61</sup> It is very conceivable what kind of opportunities might occur when such numerous different elements came together in terms of cultural interaction. That the merchants would travel safe and secure in the Middle East and Anatolian part of the Silk Road and that in the mentioned areas, local values gained international quality was because of the caravanserais which gave them safe shelter and met all their needs.

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<sup>52</sup> Turan, "Selçuk Kervansarayları", pp. 484-485.

<sup>53</sup> Herbert, A., Ben Kendim, (Terc. Yılmaz Tekcan), Ankara 1999, p. 40.

<sup>54</sup> Galland, A., İstanbul'a Ait Günlük Hatıralar, (1672-1673), (Terc. Nahid Sırri Örik), Ankara 1998, p. 87.

<sup>55</sup> Pamukciyan, K., İstanbul Yazıları, (Terc. Osman Köker), İstanbul 2002, vol. I, p. 119.

<sup>56</sup> De Buspecq, O., G., Türkiye'yi Böyle Gördüm, (Haz. Asel Kurutluoğlu), İstanbul undated, p. 28.

<sup>57</sup> Dernschwam, H., İstanbul ve Anadolu'ya Seyahat Günlüğü, (Terc. Yaşar Önen), Ankara 1992, p. 59.

<sup>58</sup> Sarre, F., "Küçükasya Seyahati", (Terc. Dara Çolakoğlu), İstanbul 1998, p. 142.

<sup>59</sup> Tavernier, J.B., 17. Asır Ortalarında Türkiye Üzerinden İran'a Seyahat, (Terc. Ertuğrul Gültekin), İstanbul 1980, p. 61.

<sup>60</sup> De Nerval, G., Doğuya Seyahat, (Terc. Muharrem Taşcıoğlu), Ankara 2002, p. 40.

<sup>61</sup> Diyarbakirli, Nejat, p. 177.

As a conclusion, as one of the oldest and longest trade roads of the world, Silk Road, has played a vital role in shaping world trade and policies as well as world cultures. Merchants would carry commercial goods as well as knowledge, courtesy, and cultures. Owing to such journeys, the bias and prejudice that nations had against one another diminished and cultural heritage of nations and customs and traditions were shared among continents. Merchants traveling from East to West took the samples of handicraft of the East with them. The arts of painting and plastic in China and Turkmenistan were carried to Middle East and West through Silk Road. Stories of Dede Korkut which tell us the history of Oguz Turks and have been told from mouth to mouth for centuries, and the stories of Koroglu called by different names in different regions spread all over the world from Asia thorough Silk Road. Besides, Nasreddin Hoca born in Sivrihisar in 1200 and died in 1284 in Akşehir, expressed his universal life philosophy based on love and tolerance in a humorous way. The stories of Nasreddin Hoca spread not only in Anatolia but neighboring countries as well. With the help of Silk Road, his stories and understanding of life have reached from Iran to Italy and to North Africa.<sup>62</sup> Anatolian caravanserais which fulfilled the continuation of Silk Road trade in Middle East have a great share in terms of transport of mentioned values among countries and continents and making them the shared values of the world.

Owing to the merchants who stayed in these caravanserais, Anatolian people were informed about the cultural heritage of both east and west and as a result, a nation which got used to living together with other nations in Anatolia peacefully has emerged. Silk road, an asset in terms of cultural interaction for both Asia and Europe may become a cultural and economic bridge as it did before in the middle age. Nations should benefit from their cultural and economic experience. So that the revival of Silk Road can be a historic opportunity.

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<sup>62</sup> Diyarbekirli, Nejat, p. 180-181.

## The EU: Georgia Integration Prospects

Kety ROSTIASHVILI\*

The EU is the Union of 25 countries\* unified on the basis of liberal democracy as the dominant system of values: supremacy of law, human rights, welfare state, free market economy, and the respect sovereignty of the nations. The alternatives are violence, racism, separatism, occupation, corruption, organized crime, and misrule demonstrated by Russia. The only way of civilized survival for Georgia is the way toward the European Integration, which will bring clear benefits for both parties.

The diplomatic mission representing the European Commission, the executive body of the European Union, for Georgia, in collaboration with Georgian counterparts, the office of the State Minister of Georgia on European and Euro-Atlantic Integration, have achieved a lot. Due to their intensive collaboration a number of fundamental documents have been prepared and build up extraordinary ties of mutual understanding between the EU and Georgian governments.

Exclusive importance has Partnership and Cooperation Agreement (PCA) between the EU and Georgia enforced in July 1999; as well as “Deconcentration” policy undertaken by the European Commission in 2000 in order to provide the European Union's external assistance more rapidly and more efficiently. In 2004 Georgia, together with Armenia and Azerbaijan, was included in the European Neighbourhood Policy (ENP), which became a powerful impulse for moving the countries from cooperation to integration.<sup>63</sup> The EU-Georgia Action Plan 2006, endorsed by Georgian government, will furthermore help to devise and implement policies and measures to promote security, stability, justice, freedom, economic growth, and social cohesion; to reduce poverty, and to protect the environment in Georgia.<sup>64</sup> The EU intellectual, moral and financial support of institutional, social, and economic reforms have contributed to the long-term objective of sustainable development of postrevolutionary Georgia .

### Conflict

For Georgia these are, without a doubt, difficult and challenging times. The past few months have been especially trying. Due to Russia's isolation politics toward Georgia human rights of people with Georgian origins were violated. The deaths and humiliation of innocent people became common in conflict zones. Due to the two unresolved territorial disputes in Abkhazia and the Tskhinvali region/South Ossetia, nearly 18% of Georgian territory remains beyond the control of the Georgian authorities. The two conflicts have created more than 260,000 internally displaced

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\* Prof. Dr., Ivane Javakhishvili Tbilisi State University

\* In 2007 members of the EU will be 27 countries (Bulgaria and Romania will joint it).

<sup>63</sup>Partnership and Cooperation Agreement. Georgia Towards European Union <http://www.eu-integration.gov.ge/eng/partnership.php>;  
Commission Staff Working Paper. European Neighbourhood Policy Country Report Georgia (2005) <http://www.eu->

<sup>64</sup> Elements for inclusion in an EU/Georgia ENP ACTION PLAN (DRAFT) <http://www.eu-integration.gov.ge/pdfs/ENPActionPlanENG.pdf>

persons (IDPs).<sup>65</sup> The images of violence, the stories of suffering are challenging. There is deep concern about the humanitarian conditions of people in the seceded territories. Georgian government has redoubled its efforts to improve the situation. It is absolutely essential for it, to be able to show that democratic values and principles offer a better alternative than extremism, violence, terrorism, and separatism.

Georgian side reiterates deep conviction that people deserve a life that is rooted in liberty and democracy; uncompromised by violence, unburdened by corruption and misrule; and forever free of the daily humiliation of occupation.<sup>66</sup> There could be no greater legacy for Georgia than to help people who have suffered too long, who have been humiliated long, who have not reached their potential, and who have so much to give to the international community. To empower men and women across the region, to help them build lives of peace and dignity, is needed deep integration into European Community, and the EU.

### **Security**

Regional and Trans-National security is closely connected with dialogue and further co-operation in addressing common security threats: terrorism, organized crime, trafficking, illegal arms trading, including nonproliferation of weapons of mass destruction and illegal arms exports, illicit traffic of narcotic, psychotropic substances, and money laundering. Georgia is oriented on increased possibilities for closer co-operation in the area of foreign and security policy, including European Security and Defense Policy, in particular, on the issues of regional stability and crisis management based on respect of the sovereignty and territorial integrity of Georgia within its internationally recognised borders. The continuing problems of security are also a great challenge for the EU and International Community. Georgia has proposed enhanced anti-terrorist, economic and cultural cooperation. This partnership of Georgia and EU can, and should, become a model for efforts to support Peace and Prosperity in the region. Mobilization of the full energy of Georgian community, focusing its efforts to strengthen, support its citizens throughout the region, who simply long for peace, development, and dignity, is a priority task of Georgian government.

### **Cooperation**

Georgia stepped forward to build a peaceful, responsible state, oriented on regional economic cooperation between the Baltic, Black and Caspian Sea regions, in parallel with the South Caucasus Partnership. Georgia stands for enhanced bilateral and multilateral cooperation with the EU countries in parallel with the World Trade Organization.

For achieving this goal Georgia is on its way to harmonizing its legislation with the EU; strengthening rule of law especially through reform of the judicial system, including the penitentiary system, and through rebuilding state institutions. Georgia is refining mechanisms for the protection of human rights and fundamental freedoms; as well as is converging its economy and administrative practices.

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<sup>65</sup> Commission Staff Working Paper. European Neighbourhood Policy Country Report Georgia (2005), p.2. [http://www.eu-integration.gov.ge/pdfs/georgia\\_cr\\_0503.pdf](http://www.eu-integration.gov.ge/pdfs/georgia_cr_0503.pdf)

<sup>66</sup> Elements for inclusion in an EU/Georgia ENP ACTION PLAN (DRAFT) <http://www.eu-integration.gov.ge/pdfs/ENPActionPlanENG.pdf>

Georgia should become attractive politically, economically, and culturally not only for the succeeded regions, but for the world community. Great impetus to futher economic and business development should be:

- Deepening trade and economic relations with the EU;
- Providing the opportunity for opening of economies to each other;
- The continued reduction of non-tariff barriers to trade;
- Liberalization movement of goods, services, capital and human resources.

These measures will stimulate investment's growth, as well as cross-border and trans-national cooperation between the EU and Georgia. Dynamic development Georgia's market economy, its sound functioning and strengthening, should be achieved through economic structural reforms.

But for achieving rapid and sizeable results futher concentration human and financial resources are needed in attracting domestic and foreign investments, fostering small and medium sizes enterprises, providing industrialization of the agrarian sector, including development of rural tourism, promotion and protection of quality production, exchange of experience on best practices and use of international and the EU standards.

### **Education**

Successful development of ongoing processes will depend on the education sector reforms providing in the context of the Bologna Process. Fostering the human resources became central issue of reforms. Georgia needs futher development of academic freedom, and mobility; extention of the international partnership programs for scholars, students and education managers to promote education, information and communication technologies in the region. TACIS\* committee admopted financial assistance University reforms under TEMPUS program. This program will significantly contribute in fostering professionals.<sup>67</sup>

Further progress in electronic communications policy and regulations will accelerate development and use of Information Society applications. Adoption of a national policy on the development of the telecommunications and IT sectors became urgent task for Georgia. This sector needs development comprehensive regulatory framework including users rights, privacy protection and data security. Widely should be used Georgia's capacity in technological R&I\*\* to support the economy and society. For achieving outstanding results in any field of human activity Georgia should reinforce human, material and institutional resources in order to improve the capacities in technological R&I.. Georgia is on its way to restructuring science management system through introduction of peer review-based competitive environment. The academic community witnesses integration of scientific institutions with higher education institutions. The EU Georgia integration will facilitate significant progress in the systems of education and science of Georgia.

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\* TACIS - Technical Assistance Program for Commonwealth Independent States.

<sup>67</sup> TACIS National Programs. Georgia Towards European Union, October 18, 2006. <http://www.eu-integration.gov.ge/eng/tacisnatprogs.php#>

\*\* R&I – Research and Innovation.

## **Social Security**

Effectiveness of social protection measures are closely connected with the sustainable development of the nation. Undertaken a reform of the social assistance and health care sectors include establishing an effective legal base and effective management systems. Georgia is developing the capacity for promotion relevant child and maternity care, as well as other urgent programs needed in this sector.

Citizens of Georgia share deep concern in dealing with drug problem, its rapid dissemination in the country. Georgia undertakes serious steps toward reduction and irredication of this sin. Georgia reinforces national legislation and develops a national anti-drug strategy, covering drug supply and demand, including prevention programmes and programmes for treatment of drug addicts.

A special concern deals with the level of poverty in the country. The Georgian government takes significant steps to reduce level of poverty. Significant programs oriented to reduction of the number of people with income below the poverty line was introduced by the EU. These poverty reduction measures are aimed at qualitative reduction of poverty and improvement social cohesion. Protection and assistance to IDPs - promoting integration of IDPs in their current places of residence, shelter rehabilitation, skill transfer, creation of employment opportunities is the issue of the daily concern of Georgian officials and non-governmental organizations. TACIS current budget for "Support in Addressing the Social Consequences of Transition" amounts 5 million Euros.<sup>68</sup> Total assistance provided by the EU to Georgia equals 647.57 million Euros.<sup>69</sup> The EU outstanding historic assistance the Georgian Nation became additional impetus for the integration.

## **Conclusions**

Unified, Sovereign, and Economically Flourishing Georgia fully integrated into the EU can seem like a very distant dream. But there are so many things that once seemed unattainable, but after they happened, simply seemed inevitable. Georgians restate strong commitment to a process by which is moving forward to the day when there will be fully sovereign, prosperous and secure state within the EU. Georgian government, and people have a lot of work to do in between, but there is the strong commitment to that causes that once it will happen.

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<sup>68</sup> TACIS National Program, C:\My Documents\EU\Programms.htm

<sup>69</sup> Out of 647.57 million Euros 423.57 million represent European grants, and 224 millions - long term credits. Partnership and Cooperation Agreement. Georgia Towards European Union <http://www.eu-integration.gov.ge/eng/partnership.php>



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# **Appendices**

## Appendix I

### **RESOLUTION 3-rd International "Silk Road" Symposium**

The Black Sea/South Caucasus region has a unique history: being a consistent part of the Silk Road, it integrated the cultures and traditions of the West and the East; being in the conjunction of superpowers' interests it was the arena of their permanent battles.

Integration tendencies in Europe and the disintegration of the Soviet Union have brought the borders of the EU to the Black Sea region. Our goal is to create synergies and linkages that bring clear benefits for all parties - inside and outside the EU. We share the mutual interest of peacefully resolving the territorial conflicts in Georgia because separatism is a threat not only to Georgia, but also to the EU as a whole.

Implementation of the European Neighbourhood Policy (ENP) and the EU Action Plan for Georgia will move the South Caucasus and the European Union to a higher level of social, economic, political, and cultural integration, which can, and should, become a model for efforts to support peace and prosperity in the region.

The Black Sea/South Caucasus region is regarded as a geopolitical center facilitating further reunification of the West and the East.

# Appendix II

## Photo gallery from Symposium







