EXPERT OPINION

Peter BERGEN
What Al Qaeda may be doing in the future? ............................................... 4

Xenia DORMANDY
Major developments in Central and South Asia ......................................... 8

Romik F. HARUTYUNYAN
The factors of an organized terrorism in the Caucasian region of the Commonwealth of Independent States ................................. 14

Iain JOHNSON
Chinese approaches to international security policy ................................... 17

Karl KAISER
NATO and the European Union within today's security environment ............ 24

Robert LEE
FBI's role in countering terrorism and proliferation .................................... 30

Steven MANN
U.S. view on energy security in the Black Sea region ................................. 34

Joseph NYE Jr.
Current trends in international affairs and the US policy ............................ 40

James SHERR
Russia's perspectives in the Black Sea region ........................................... 46

Vladimir SOCOR
Perspective of the Black Sea region .......................................................... 52

Dr. MG Hayk KOTANJIAN
Energy security in the Black Sea-Caspian region ...................................... 60

Tigran MKRTCHYAN
Welcoming address to the Harvard Workshop in Armenia ............................ 66

Mr. S. M. OHANYAN
Military reforms in Armenia in the last decade ........................................... 70

Mr. Jaroslaw SKONIECZKA
NATO policy in the Black Sea region ....................................................... 72

Colonel Yordan YORDANOV
Bulgaria's perspective on Black Sea security and stability ........................... 75

Ms. Marie YOVANOVITCH
Remarks for opening ceremony of Harvard Black Sea Security conference .... 78

Elena KLITSOUNOVA

Galina BEKKER
Regional cooperation in Wider Black Sea region ......................................... 88

Alexander KAMENETSKY
Conflicts in Eurasia: Are they frozen? ....................................................... 94

Valeriy MUNTIYAN
Causes and scenarios of the world crisis development: a view from Ukraine .... 100

Volodymyr VAGAPOV
The Ukrainian defense: the issue of choice, or whether to join NATO or not under its defensive awning? ........................................... 103

PHOTO SESSION: ....................................................................................... 110

Our donors and partners:
Carnegie Corporation of New York http://www.carnegie.org
U.S. Department of Defense www.defenselink.mil

Editor: Sergey YEREMENKO
yes777yes@gmail.com

Editor: Lada L. ROSLYCKY
roslycky@yahoo.com

Designer: Mark KANARSKY
mark_kanarsky@ukr.net

HARVARD BLACK SEA SECURITY PROGRAM-2008
The Black Sea Security Program had its genesis in 1997 when Harvard Kennedy School reached out to Ukraine as a fledgling democracy. Over the years this program has expanded its reach first to include other former Soviet Black Sea countries and currently to countries in the greater Black Sea region. An overarching goal has been to encourage regional security through cooperation and integration. It is unique in its mission to bring together leading policy makers in the region with senior US officials to gain a deeper understanding of issues affecting the region and to encourage problem solving in areas of common interest. The program typically involves senior military representatives and civilian security specialists from the United States and ten regional countries: Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey and Ukraine. Recent efforts to reach out have brought participants from Kazakhstan, Croatia, Slovenia and Serbia to Harvard. The Black Sea Security Program and its pred-
The program aims to:
- Deepen participants’ understanding of global and regional strategy, defense organization, and military reform and restructuring;
- Identify the very broad common areas of agreement that exist among the Black Sea nations and expose their officials and the US participants to the strong common history and shared values of the region;
- Highlight the specific areas of current cooperation on issues of vital interest to these countries and, at the same time, identify those issues which divide them and present challenges to regional cooperation;
- Expose the Black Sea officials to the free flow of ideas inherent in the pluralistic American system and within the US national security community itself by engaging them with officials who represent a wide range of viewpoints.

Black Sea Security Program Regional Workshops

Regional Workshops were added to the program concept in 2002 to 1) strengthen and expand the regional network encouraged by the annual Black Sea Security Program; 2) provide a forum for regional experts to discuss critical security issues pertaining to the region; 3) involve US general officers and policy makers in Black Sea regional dialogue; and 4) recruit key individuals for future iterations of the program. The most recent Harvard Black Sea Security Program Regional Workshop took place in Yerevan, Armenia, October 2008. Approximately 45 participants from the United States and regional countries gathered to discuss regional cooperation and relations with NATO and the EU. The Armenia workshop was the seventh gathering of alumni and regional experts affiliated with Harvard’s Black Sea Security Program.

Prior Workshops took place in Yalta, Ukraine (2002); Baku, Azerbaijan (2003); Batumi, Georgia (2004), Chisinau, Moldova (2005), Bucharest, Romania, (2006) and Kiev, Ukraine (2007). In addition to program alumni, the workshops host European representatives from NATO, the EU, and various international organizations. The Workshops have been an ideal venue for bringing alumni together with European representatives from both government and non-government organizations.

The next Regional Workshop will take place in Moscow in October 2009.

The Black Sea Security program is funded by a generous grant from the Carnegie Corporation of New York

The statements made and views expressed are solely the responsibility of the authors.
What Al Qaeda may be doing in the future?

In July 2007, the United States said that Al Qaeda was regrouping and I share that assessment. Seven or eight pieces of evidence will be presented here to show you why that is the case. Then, I will take some time to talk about what Al Qaeda may be doing in the future.

The focus here is on the organization. There are the self-striving, homegrown radicals, but they are not really a national security problem. They are just a domestic problem. In fact, there are two examples of self-striving, homegrown radicals, and how much damage they can do. One of them is Timothy McVeigh, who bombed the Murrah building in Oklahoma City in 1995 and killed 168 people. Another example is the attack in Madrid that killed 191 people. These are important and tragic incidents, but they do not rise to the level of being a major, national security problem, as the 9/11 attacks. Self-striving, homegrown radicals are a problem, but not a national security problem, in my view.

First, Al Qaida resurgence is considered. On 7 July 2005, an attack in London killed 52 British commuters. This was the largest terrorist attack in British history. The British press and the British government initially misinterpreted what had happened. They initially said, “This is a self-striving, homegrown radical attack.” The reason they misinterpreted this was partly because Madrid had happened in 2004, and that was a self-striving, homegrown incident. As it turns out, Al Qaeda directed the London attack from different levels. First, two suicide attackers made a video production on Al Qaeda’s As-Sahab, (which means cloud in Arabic). As-Sahab does not have a presence in North England, but it does have one in Pakistan. Secondly, it became clear that two of the lead suicide attackers had travelled to Pakistan and met with people from within Al Qaeda.

The attack was an Al Qaeda organized plan. What is interesting about the attack is it looks a little bit like the attack on USS Cole in Yemen in October 2000. The attack on the USS Cole killed 17 US sailors. It also demonstrated Al Qaeda’s ability to organize sophisticated operations thousands of miles away from its base in the Afghan-Pakistan border.

Similarly, the London attack took about one year to plan. It was organized from the Afghan-Pakistan border. While it was not organized by Al Qaeda, two of the people involved trained with the Islamic Jihad Union, which is an Uzbek group with links to Al Qaeda and training camps in the same area. Luckily, that attack did not work out.

Similar are the arrests made in Spain in December of 2007. Several Pakistanis were sent from the head of the Pakistani Taliban to conduct suicide operations in Spain. There was some discussion on whether or not they were planning to attack some other European countries. It seemed clear that they were going to attack in Spain. According to Spanish investigators, a number of them had called home to say, “This is my final call.” They were clearly serious.

The first piece of evidence is the attack is of 17 July 2005. The second piece of evidence, more broadly, is what is going on in the United Kingdom right now. John Adams, who is the Head of the Domestic Intelligence Service in Britain, at MI-5, made a public speech recently in which he said 2000 British citizens were considered serious national security threats. Many of them had links back to Al Qaeda in Pakistan. Why is that the case? Every year, 400,000 British citizens travel to vacation in Pakistan. Only 0.01% of them need to go to a training
camp to result in 40 people going to a training camp. Of

Of course, disproportionately large numbers of British

Muslims are Pakistani, and a disproportionately large

number of Pakistanis in Britain are Cashmeri. About 80%

of British Pakistanis are from Cashmere and Cashmere is

the engine by which one joins Al Qaeda, in Britain. A con-

crete example of this, which still relates to the second

point here, is Operation Crevic.

Operation Crevic is British police terminology for a

group of people who assembled 1 500 pounds of fertil-

izer in London. None of them had gardens. They were

planning to attack a British, London nightclub, or some

other target in London. It turns out, in the trial that went

on, the ringleader, a large young man, a cricket player,

second generation British Pakistani, essentially very

British, had travelled to Cashmere because he had

come more religious. He hooked up with the

Cashmere militant group, and, by a series of meetings, he

eventually ended up with Al Qaeda.

Both of these European countries do not have a large

Pakistani Diaspora. However, Spain does have about 70 000

Pakistanis. More and more cases are turning up of people

who have trained in Pakistan showing up in European

countries. Two recent examples are Germany and Spain.

The first piece of evidence is the event of July 2005. The

second piece of evidence is what is going on more broadly

in Britain right now. A key example of this is the Planes Plot

of summer 2006. The Planes Plot was an attempt by a

group of British citizens, all of Pakistani descent to bring
down six or seven American and Canadian Airliners. The

trial is happening right now, and some of the details that

are coming out are simply fascinating. Clearly, had this plan

worked, it would have closed down aviation and tourism

around the world as a result of 6 or 7 American and

Canadian Airliners. The plot worked, it would have closed
down six or seven American and Canadian Airliners blowing

up over the middle Atlantic. Luckily, it did not work out. However, General Maples, who

is the Head of the Defense Intelligence Agency said that

plan was directed by Al Qaeda from Pakistan. This is infor-
mation to be taken at face value.

What is interesting about that attack is that Al Qaeda

is not interested in attacking a shopping mall in Des

Moines Iowa; they are interested in attacking New York,

Los Angeles, Washington D.C. or commercial aviation.

Commercial aviation is the hardest target in the world

right now. Al Qaeda's attempt to celebrate the fifth

anniversary of the 9/11 attacks was the Planes Plot of

2006. Therefore, they are aiming high. Another interesting

ting about the plan is that it shows that there are no al-

Qaeda secret cells in the United States. It is not possible to

prove negatives, but I do not believe that there are large

numbers of Al Qaeda members in the United States. They

have not done anything, and I do not believe they exist.

Some evidence for this counter-factual position is, to

say that if they could have done it, the plan to bring down

all of the airplanes, in the United States, they would have.

They had to do it in Britain, because that is where they do

have the personnel to do those things.

Going back to the list, the first piece of evidence, July

2005, the second piece of evidence is what is going on in

Britain more generally, the third piece of evidence is what is

going on in Afghanistan. That the situation in Afghanistan is

getting worse is not an accident. In my view, one of the rea-

sons it is getting worse is because, on the top levels, Al Qaeda and

the Taliban have moved together ideologically and tact-

ically. Ideologically, they now see themselves as part of the

global jihad supporting Iraq and Palestine. These are a very

provincial group of people. They now see themselves as a

part of a wider global movement. Tactically, they seem to

have learned from Iraqi insurgency. If one charts suicide

attacks in Afghanistan, there was one in 2001, 2 or 3 in 2002,

2-3 in 2003, maybe 5 in 2004 and 27 in 2005 and 139 in

2006, and a similar frequency in 2007. The suicide attacks

have really taken off in Afghanistan because they see how

successful they are in Iraq. There is some evidence of people

travelling from the Afghan-Pakistan border to train in Iraq.

FACULTY BIOGRAPHIES

Peter BERGEN,

Adjunct Lecturer in Public Policy, is a senior fellow at
the New America Foundation (www.newamerica.net); an
adjunct professor at the School of Advanced
International Studies at Johns Hopkins University; a
research fellow at New York University's Center on
Law & Security; and CNN's terrorism analyst. He is the
author of Holy War, Inc.: Inside the Secret World of Bin
Laden, a New York Times best-seller that has been
translated into 18 languages, and of The Osama bin
Laden I Know: An Oral History of Al Qaeda's Leader,
named one of the best nonfiction books of 2006 by the
Washington Post. Bergen has written for the New York
Times, Los Angeles Times, the New Republic, Foreign
Affairs, the Washington Post, the Atlantic, TIME, the
National Interest, and Vanity Fair. He has also worked
as a correspondent for National Geographic and
Discovery television, for documentaries about terror-
ism. Bergen has an MA in modern history from Oxford.
Senior members of Al Qaeda from the Afghan-Pakistan border region have ended up dead in Iraq. For instance, Omar Al-Faruq who escaped from Bagram air force base, an American prison in 2005. He ended up dead in Basra.

In Afghanistan, the Taliban have learned ideologically and tactically from Al Qaeda. By their own account, they are taking directions from Al Qaeda. For example, Vice-President Cheney visited Bagram air force base last February. A big bomb went off and killed 20 people, but had no effect on Cheney, obviously. However, the Taliban came out and said that attack was directed by Osama bin Laden. The US military then came out and said, "No, it was not Osama bin Laden, it was another senior Al Qaeda leader". Well, that seems like a distinction without a difference. This is an example of how the Taliban and Al Qaeda cooperate. Another dimension of this is the aforementioned Al Qaeda video production on as-Sahab, "The Clouds".

There was one video production in 2001, 2-3 in 2002-03, 90 were produced last year. Just as there is a rising number of suicide attacks in Afghanistan and so too is there a rising number of video released productions from as-Sahab. It would be one thing if it was a bunch of talking-head propaganda, but it is more than that. It is careful documentation on attacks on NATO and American convoys in Afghanistan.

To produce 90 videos in one year, that implies some sort of organization is needed, i.e. camera operators, editors, distribution system. Clearly, Al Qaeda is able to organize an effective information campaign. Related to the resurgence of as-Sahab is Osama bin Laden and Amin al-Zuari, if the two had remained in silence after 9/11 the two would belong to history as historical figures. However, they have said a lot. The most reliable guide to what the Jihadists will do is what Osama bin Laden and Amin al-Zuari say. There are four examples in this regard.

Osama bin Laden mentioned Spain as a potential target for Al Qaeda for the first time in December 2003. In March 2004, the biggest terrorist attack in Spanish history conducted by a cell with no relations to Al Qaeda central, but was inspired by bin Laden.

In December 2004, Osama bin Laden made it official Al Qaeda policy to attack the Saudi oil industry. He believes it is possible to bankrupt the West by attacking the Saudi oil industry.

In February 2006, there was the attack by Al Qaeda inside Saudi Arabia on the Abqaiq oil facility. It is the most important oil facility in the world. Luckily, it did not succeed, but if it had, the epicenter of the world oil industry would have gone offline with major economic repercussions.

Bin Laden and Amin al-Zuari both call for attacks on the Pakistani government, particularly during the past several months. This is one of the reasons for one of the largest suicide bomber attacks in world history, which took place last year.

Bin Laden and Amin al-Zuari are both still out there and still influencing things. Some people say, they do not even control their own organization, well that is to ignore the global communications evolution. There is no need to call people by phone. Every time they release a video tape, it is the most widely dispersed political statements in history. Hundreds of millions of people hear about it, read about it and see about it.

Another piece of evidence is what is going on in Pakistan. There were almost no suicide attacks in Pakistan two years ago; there were 5 in 2006 and there were 60 in 2007. Many of which were directed against the state. Of course, Al Qaeda or at least its allies in the Taliban have had one of the most successful operations in history: killing Benazir Bhutto, the most popular politician in Pakistan. The only good news about all this is Al Qaeda may have made a strategic mistake with the Taliban; attacking where they live. Support for suicide bombings dropped from 35% in 2005, in Pakistan, to about 9% today. Support for Omar in the North West frontier province of Pakistan, where he lives, dropped from 70% last August to 4% today. Clearly, Al Qaeda has had some ability to manipulate what is going on in Pakistan, but they have made some strategic errors while doing this.

Then, there is Al Qaeda in Iraq. It did not exist in Iraq before the United States invaded the country. Al Qaeda was found in Iraq in October 2004. Despite the fact that it is a rather small organization, it has had quite an impact on what is going on in Iraq. They have organized 80-90% of the suicide attacks.

Right now in Iraq is the largest campaigning for suicide attacks in history. In Iraq, 925 suicide attacks have taken place since the beginning of the war. Those attacks have killed approximately 10,000 Iraqi civilians. They got the United Nations to pull out, and they got a number of countries to pull out with their diplomatic representatives. They sparked a civil war by attacking the Samarra and Najaf Mosques. In Iraq, Al Qaeda is under severe pressure right now because they have had a big impact on what is going on there.
As the United States withdraws from Iraq, which is inevitable, Al Qaeda in Iraq will draw some strength. They have a strategy; they want to gain control over certain territories in Iraq. Furthermore, as the United States pulls out, the civil war may intensify. One thing Al Qaeda has going in its favor in Iraq is that it can present itself as the most extreme anti-Shia element.

These strong elements suggest that Al Qaeda is resurging. Given that it is resurging, what might it do in the future? It is extremely unlikely that Al Qaeda will attack the United States in the next five years. When jihadist terrorists have attacked the United States in the past i.e. the attack on the WTO in 1993, the attempt to blow up Los Angeles International airport in December 1999, and the 9/11 hijackers, all of these people came from outside. It is extremely hard to get into the United States right now, if you are a jihadist terrorist. The United States government has made it much harder to get in. This blocks one avenue for Al Qaeda to attack the United States.

The American dream does not work all the time, but it works well for American Muslims. American Muslims are better-educated than most Americans, they tend not to live in ghettos, and are very well integrated into American society. Take all of these statements and reverse them, and that is the situation in Europe. European Muslims live in ghettos, they are not well integrated, they have much higher unemployment rates. Generally, they are quite different from their American compatriots.

It is therefore unlikely that Al Qaeda will attack the United States. However, that does not mean than and Al Qaeda inspired cell will not pull off something in the United States and kill a few people. Al-Qaeda could kill many Americans outside of the United States. The kinds of things they may be able to do in the next five years include, first of all, it is quite plausible that they will be able to bring down a commercial jet with a surface to air missile or rocket propelled grenade. They have already tried to do this on several occasions in Mombasa Kenya in 2002 and an Israeli passenger jet.

Bringing down a commercial jet somewhere in the world in the next 5 years is plausible. Also plausible in the next 5 years, is a bomb attack in a major European city. They have demonstrated an interest and capability in these sorts of things. When that happens, many people will presume that Al Qaeda have gone nuclear, that is very logical. That would be a major psychological victory, if they could pull it off.

Another thing they will continue to do is attack Western brand name as is shown by the many attacks on Western hotels in the Muslim world. The reason for why this happens is obvious. Western hotels have Western tourists, brand names and they want to offend this. The Sheraton in Karachi attack in 2002, JW Marriot in Jakarta 2003, 3 attacks in Jordan, Amman in 2005, and the attack in Egypt. The list goes on.

There are also attacks on Jewish and Israeli targets. Before 9/11 they had not attacked Jewish and Israeli people. However, after 9/11 attacks have occurred i.e. Mombasa Kenya, the Israeli attacks on synagogues in Casablanca and Istanbul. More of that is expected.

Also, the use of female suicide attackers is increasing. For tactical reasons, they are going to start using more and more females for suicide attacks. The Belgian female baker's assistant conducting a suicide mission in Iraq in 2005. There is a rise of female bombers in Iraq. Just as the Palestinians and Chechens use more female attackers, it is fair to project that Al Qaeda will also continue to do that.

That is what Al Qaeda may be up to in the coming 5 years. However Al Qaeda has weaknesses that are potentially quite devastating. It has already been seen how they have managed to make the same mistakes repeatedly because of strategic weaknesses. They have four strategic weaknesses. First of all, Al Qaeda and its affiliated groups they do not offer a positive view for the future. It is clear what they are against, but what are they really for? If Osama bin Laden was here he would say he wants the restoration of an Ottoman style of Rule that treated minorities well, however when he says this he means Taliban style Theocracies of ancient Morocco. Most Muslims do not want to live under the Taliban. Most Muslims have seen what Sudan looked like. It is not a winning vision of the future.

Problem number two is related to problem number one. It is that Al Qaeda cannot offer anything. There is no Al Qaeda well-fare system, hospital or school. These are ridiculous ideas. Unlike Hezbollah who offer something concrete, for ideological purposes it cannot really engage in politics.

The third problem they have is that they keep adding to their list of enemies. That is never a winning strategy. Al Qaeda has announced it is opposed to Jews, Christians, almost every European country, Muslims who disagree with them, the Shia, international aid organizations, the United Nations and the international press. It turns out there is not one category of institution or government to which Al Qaeda has said it is not opposed to.

The fourth and final reason is that they continue to kill Muslims. ■

April 2008, Harvard
Why do we not care about India as much as we do about China?

There is no question about to whom the media pays more attention. The first reason, it has long been recognized that China is an important and influential member and plays a central role in world politics.

A new book discusses a triad of fist powers, The United States, EU and China. The US looks at China very uncertainly. It does not know if China should be treated as a threat or as an opportunity. Ash Carter mentions that Chinese policy is somewhat of a secret and that they do not even know what their own policy is. A lot of time is spent thinking about China and the role it plays.

Not nearly as much time is spent worrying or talking about India. Why? First, the history between the two states is different. Secondly, India's rise has only been apparent within the last five to ten years. Economically, India's is about one-third the size of China's. That is one trillion GDP US dollars versus just over three trillion GDP in US dollars for China. Its economy is only growing at about 8.5 percent. It wants to move that up to 10 but it is probably going to go down to 7.5 in the next year, due to the global economy. This contrasts against China's 11.4 percent. China exports about nine times as much as India does, 1.2 trillion per year, versus 140 billion per year in the case of India. Annual military spending for China is about twice what India's are, about 20 billion versus over 40 billion. Of course, it is important to remember that China is a permanent member of the UN Security Council. India is a "want to be permanent member of the UN Security Council". That is unlikely to happen any time soon.

China has a lot more influence in a broader diplomatic foreign policy term. That is why we pay more attention to it. However, this may change. I think that we are going to start reasserting the importance of India on the same kind of level that we talk about China. I talked about India's economy being much smaller than China's. This is true, but by purchasing power parity, (PPP) China comes in second and India's economy is actually, globally, the fourth. These are not small amounts.

Unlike China, India is reaping what is called a demographic dividend. In India over 50% of the population is under the age of 25. That is huge! Taking the aging society in the US, Japan and in much of Europe into consideration, the fact that India's population is still very, very young will have a huge impact on its ability to build its economy. Its population of 1.1 billion is also going to surpass China's in 2035, or there about. I spoke about China's military spending being twice as large as India's military spending. However, India's military acquisition, are the largest of any developing world country, including China. Therefore, in terms of building foreign relations what it a country is buying is very important. This is exemplified in the fight between the US, Russia and Israel over India's military spending.

Finally, India's soft power is steadily increasing and its influence is growing. It has been building its relationship with the United States and with Japan over the last few years. Again, it has its demographic dividend as well as a democracy dividend. This, China does not have. Therefore, when one considers China and its growth one worries about what is going to happen in the next 10, 15 or 20 years. This makes it a bit difficult for India to get anything done. Nevertheless, it is a stable democracy.

If one considers China's foreign policy, it is building relationships for short-term benefits. In Africa, Latin America, it is going for the Short-term benefit of gaining control of, in most cases, energy assets. Contrarily, India in Africa is trying to build long-term relationships. Again, in the long-term, India is in a better
position. Today we talk about China as this Asian pole. However, increasingly, India is going to start playing the role of one of the Asian poles. It may be competing with China for that position.

India is important for five reasons. The first reason is strategic, geographic, importance. China and India balance what is going to happen there. The US cares very deeply about Iran. India has a long-term relationship with Iran, Pakistan, and more broadly South East Asia. Reason number two is energy and the environment. Today, it is the fifth largest energy consumer in the world. By 2030, it will be the third largest energy consumer in the world. It is the second fastest growing energy consumer. China is the first. This will mean competition for energy resources. And if any attempts to resolve environmental issues are going to be made, they will need to be done with India.

Third reason is non-proliferation and more broadly, weapons of mass destruction (WMD). Whether or not we acknowledge it, India is, formally, a nuclear weapons power. In addition and despite the fact that it is not part of the Non-Proliferation Treaty (NPT), India has held steadfast to the rules of the NPT and other non-proliferation treaties, even though it has not been a member of those. It has long argued that it is within its own foreign policy interest as well as national interest, to ensure that the non-proliferation rules are strengthened. It has particularly looked at Pakistan about proliferation. However, concerning the nuclear threat, originally in 1998, when India first tested, it was looking at China.

The fourth reason is economic. The population of 1.1 billion, rising to 1.3 or 1.4 in the next 20 years, makes India a huge market. Finally, we care about India for democracy reasons and health reasons.

These are the five reasons India is looked at and cared about: strategic importance, energy and the environment, non-proliferation and WMD, economics, and finally democracy and health (the social side of it).

Taking a step back for a moment, it is worth considering where India stands today. First, as we all know, it is a stable democracy. It is a multi-ethnic, multi-lingual and multi-religious democracy. It is a stable democracy with, arguably the most messy political situation of any other democracy. Two main parties: Congress and the Bharatiya Janata Party (BJP, Indian People’s Party). However since the early 1990’s they run in coalition. Politics in India often devolves to the lowest common denominator. In the current case, where you have a coalition lead by the Congress party their hands have been very much tied on a number of issues, not least of which is the US-India relationship on civil nuclear cooperation by the left parties. They sit outside of Parliament but have incredible power in government.

This situation is going to get worse rather than better. What is seen in the political system is that regional politics, parties with regional power are increasing in power and fractionalization is happening. Parties are breaking down. Therefore, the coalitions are going to get messier and bigger. It will be more complicated to get anything done. In the current incumbency, the left parties are actually preventing a lot from taking place within the US-India relationship and economic advances.

The demographic situation is one of a growing young population (54% under the age of 25). There are large well-educated and English speaking populations. They explain a lot of the out-

---

FACULTY BIOGRAPHIES

Xenia DORMANDY
is a Senior Associate of the Belfer Center for Science and International Affairs. Prior to this she was the Director of the Belfer Center's Project on India and the Subcontinent and the Executive Director for Research at the Belfer Center. Until August 2005, Ms. Dormandy served as Director for South Asia at the National Security Council (NSC) where she played a key role in coordinating the July 2005 visit of Indian Prime Minister Manmohan Singh that led to the new U.S.-India Strategic Relationship. Prior to her NSC post, Ms. Dormandy served as a Foreign Affairs Specialist in the Bureau of South Asia at the Department of State. Her major portfolios included counterrorism, non-proliferation, Kashmir, and other law enforcement topics. During her tenure at the Department of State, Ms. Dormandy was also a Special Advisor at the Homeland Security Group, and an officer in the Bureau of Nonproliferation. Shortly after September 11, 2001, Ms. Dormandy was detailed from the Department of State to the Office of the Vice President (OVP) to help launch the Office of Homeland Security Affairs. Ms. Dormandy is the author of numerous articles and opeds in publications such as The Washington Quarterly, The Washington Post, Boston Globe, Christian Science Monitor and International Herald Tribune, and she has been interviewed on radio and television for such programs as the BBC World TV, NPR, CSPAN, Fox News, Al Jazeera and the Jim Lehrer News Hour. Prior to her government service, Ms. Dormandy worked in the nonprofit and private sectors in California, Israel and the West Bank, and the U.K., and for UNICEF in New York. She is a graduate of the Kennedy School of Government where she completed her Masters in Public Policy. She earned her Bachelor of Arts degree from Oxford University.
sourcing complained about a lot in the US. It is hitting other countries as well. However, there are huge income, educational and health disparities. The best of India's best are on par with any western parties. The Indian Institutes of Management (IIMs) and Indian Institutes of Technology (IITs), the best of their colleges are very competitive with American Universities. The best of their health facilities, their hospitals are very much on par, if not better than the best of America's system. The worst, they do not exist.

Last week there was an article in the newspaper in which it was written that there are Indian hospitals in urban areas where the doctors are not just misprescribing, they are actually prescribing drugs that are going to make the cases worse, because they simply do not know. It is a real problem.

Economics are very, very positive. The GDP has been at about 8.5 for the last three years. They want to raise it to 10% but it is likely to go down to about 7.5 as mentioned earlier. Economics driven in some areas are in advanced research and development in biotechnology, pharmaceuticals, medical services, and even in IT services, they are very much ahead of the game. This compared to advanced Western countries. Interestingly, last summer, Prime Minister Singh announced that although India had skipped the industrial revolution and skipped straight through to the IT revolution, it now had to revisit the industrial revolution. If India it really wants to take approximately one third of India's population out of poverty, then it needs to reenter the manufacturing sector. This poses potential problems for the India-China relationship. To date the two countries have seen each other's growth as a very positive thing. Today, this is beginning to change because China is really starting to take more seriously. It is a real problem.

Economically, the US has invested in the IT sector. They are very much ahead of the game. This compared to advanced Western countries. Interestingly, last summer, Prime Minister Singh announced that although India had skipped the industrial revolution and skipped straight through to the IT revolution, it now had to revisit the industrial revolution. If India it really wants to take approximately one third of India's population out of poverty, then it needs to enter the manufacturing sector. This poses potential problems for the India-China relationship. To date the two countries have seen each other's growth as a very positive thing. Today, this is beginning to change because China is really starting to take more seriously. It is a real problem.

With all of these good things happening on the economic side, there are also, unfortunately, some obstacles as well. First, there are the infrastructure limitations: roads, airports, ports, etc. They are talking about investing about 450 billion US dollars in the next 5 years. Some of it will be private sector spending, some of it will be public. There were huge state imbalances. Crossing the state border, a truck may be stuck there for 24 or 48 hours because of the taxes that need to be paid when crossing states. There are huge regulations problems. Labor laws very much need to be reformed. They know this. It is almost impossible to fire someone in India. It is the same for the United States government, but India takes it to a completely new level. Bureaucracy is a real problem. It used to be called "The License-Raj". The expression red tape actually comes from India. When the British were in India, they used to tie up all of their files with red tape. India epitomizes the concept of "red tape".

Something one does not often hear Indian officials talking about, unless they are asked directly, is the huge problem of corruption. It takes place across the board, from the lowest to the highest level. Foreign businessmen will agree that it is a growing problem for them. In fact, it is not possible to get anything done without a little bit of "under the table maneuvering".

Militarily, it is a very capable military, with civilian control. India has the third largest army, the third largest air force and the seventh largest navy. A fact that few American air force people want to talk about is that a few years ago, India actually vested the American air force in exercises. This indicates that the Indian air force is capable.

Finally, looking at where India is today. The Indian government understands that to be democratically needed it needs to focus on domestic rural population. Approximately 60% of India's population lives in the rural parts of society. When this government came in 2004, it stated, "We are going to focus domestically". Actually, what India is starting to do for the first time, is to look more externally. It is looking at countries outside of it. For the first time over the last 5-7 years, India has actually put together a really well thought through foreign policy. This new development is going to have huge implications for everyone in the coming years. Part of that, is of course, India wanting to have prestige; wanting to become a permanent member of the UN, the G8, regional groups like APEC and ASEAN.

Looking at the next year it is important to remember that India has an election in May 2009. That has huge implications for how it is going to behave in the coming year.

Understanding where India is today, what does that say about US policy toward it? Historically, the US-India relationship has not been a good one. India gained independence in 1947, and although the non-aligned movement, started by Nehru, India actually tilted toward the Soviet Union. Of course, that stopped with the collapse and in the 1990s, India pursued a much more independent foreign policy. It was not quite sure of where it was going or what it wanted to do. In 2000, President Clinton visited India. That was a breakthrough in US-India relations. He spent five days there, and presidents do not spend five days in any country. He spoke to both houses of parliament in India. There was this incredible recognition on the part of Indian Parliamentarians and people that America actually could be India's friend. A couple of other events reinforced this. When Pakistan's Musharaff (he was not President then) went into the Kargil, the US came up on the side of India. In so doing, it surprised everyone, including the Indians.

In the early 2000s, the scene started to change a little bit. Then, in January 2004, the US announces with India the creation of the "Next Steps in Strategic Partnership". It was effectively putting the four issues India was concerned about on the table: missile defense, high technology commerce, civil-nuclear cooperation and civil-space cooperation. The Indians
came to the US and stated: "These are the things we care most about. We want to talk to you about them and have been putting it off because they are kind of hard to talk about." Eventually, the US said,"OK we are going to package them all up and come up with a policy with which we can all work together." That policy was superseded in 2005 by the India-US civil-nuclear deal. Essentially what was said then is, "First of all, we have made such progress on the NSSP and second of all, we, the US, need to get over this nuclear issue."

There are a number of elements within India that are important not only to the US, but to any country engaging with it. First, democracy, it is particularly important to the current administration that has made democracy and its promotion one of the principle standards that guides foreign policy. India is the world's largest stable democracy in a region that does not have a lot in terms of democracies. It provides a very useful demonstration effect to countries around the region: Pakistan, Bangladesh, China, Afghanistan, Nepal, Sri Lanka. The Indians also have a role to play in capacity building support for other countries interested in moving in the similar direction.

India as an investment destination has become less attractive with the economic down turn. The fact remains that India's stock market is still riding high. Investment in India is still a relatively safe bet. In addition, it is attractive as a provider of services. With the global down turn, it is actually picking up in many places. India has approximately 350 million people in its middle class. That is a bigger population that the entire US. In addition, it is a huge market for the US. The level of its military acquisition spending is of import. There was a bid, a few years ago, for 126 combat aircraft valued at 10-11 billion; there was a bid that just went through with Boeing for multiple billions of dollars.

Third India's relations with other states are considered. Geopolitically, all of the countries surrounding India are unstable. It plays a huge role as a regional power. It plays a role vis-a-vis Iran; they could play a bigger role in this regard. Historically, this relationship has been a strong one. Clearly, the India-Pakistan relationship is extremely important to the US. The India-China relationship is extremely important to the US. The US-China relationship, people talk a lot about the US support of India, or the US support of India being a counter-weight to China; it is not and it never will be. This has two reasons. Although the US is confused about how it should see China, India is equally confused about how it should see China. India has made it abundantly clear that it will not be a counter weight to China. Even if the US wanted it to be, it would never happen. India has already contributed about 800 million dollars to Afghan infrastructure and they are training their police officers today.

The fourth area to be considered here is health. The last two potential pandemics started (SARS) in China and (Avian Influenza) in Indonesia. The next ones are going to come from Asia as well. Most likely, they will be coming from East Asia or North Asia. That means India is the frontline for controlling the pandemics. This is an area of health where the US really needs to work more closely with India.

India's pharmaceutical and biotech industries are very important to the US today. The US has outsourced its vaccine production. In the United States, no vaccines are produced on American soil. If something does break out, it will be looking to everybody else to provide vaccines. India is a very important player if that happens.

Medical tourism is also on the rise. People from the US and EU are flying to India to have medical services provided to them. They are flying in and coming back. It is cheaper, and in many cases, it is better.

The US is going to need to engage more with the Indian military, in terms of both acquisitions and government-to-government relations. India is one of the top-five UN peacekeepers. Three of the five top UN peacekeepers come from South Asia. The US is going to have to do more joint operation and exercises with India.

The US is also going to work with India against terrorism. What the US thinks the "War on Terror" is, is very different from what India thinks. The US thinks about al-Qaeda and Taliban, India thinks about Cashmere terrorism along its Eastern border. It also thinks about its Northeast border, between Burma, Bangladesh and Bhutan. There have been many ongoing insurgencies there. Terrorism is thought of in different terms, but it is nevertheless, something the two states need to work on together. Particularly, because of some intelligence reports that indicate some terrorist groups are starting to work together more than they did before. There are some indications that some militant groups, Cashmeri groups, which have historically stayed and exercised on the Pakistan side have actually started to move down toward Afghanistan and down to the Federally Administered Tribal Areas (FATA) of Pakistan. Strategically, again, non-proliferation is extremely important to India particularly given its locale close to Pakistan, the worst proliferators today. Given its geography, drug trafficking also deserves attention in its security relations.

Energy and environmental security are also important. About 50% of oil goes through the Malacca straights. Given that India is a capable neighbor, its navy has a role to play in ensuring that those straights are safe and stay open. More importantly, perhaps, India has the second fastest growth in energy consumption. It has pursued a similar system to the Chinese by engaging with the Latin Americans and Africains for energy resources. Of course, the environmental implications of all of this, if anything is going to be done, it cannot be done without India. Likewise, the US cannot do it without China.
Looking at the US-India relationship more broadly, it needs to be one of strategic engagement. The US has an opportunity to have a strategic relationship with India, but it does not have one yet. India also needs help to become a global player.

Pakistan is in a very different situation to India but also important. India is seen by the US as an opportunity, Pakistan is seen as a threat, in policy terms. First, it is important, because it is the epicenter of terrorism, there is a nexus of terrorist groups in Pakistan. Second, it is important because of its role in Afghanistan. Like India, it clearly has an important role there. Third, Pakistan is a nuclear power and the epicenter of the nuclear black market. In 2004, the father of Pakistan's nuclear system, A.Q. Khan, was revealed to run the largest black market in nuclear proliferation.

Pakistan is also, at times a Muslim-majority democracy. Today is one of those times, two months ago was not one of those times. It is also a central part of the Silk Road from Central Asia, Iran into India and into South East Asia. Historically it has played a central role of linking up this central region. However, today, Pakistan's situation, to say the least, is an uncertain.

There are four major powers in Pakistan: the Mullahs, the military (army and ISI), the politicians and most recently, the people. Its politics are extremely unstable, this is expected to continue and perhaps get worse.

Within the political leadership today (after 18 February 2008 elections) there are four main players: two secular parties (PPP, PMLN), President Musharraf and General Kiani. They have a newly appointed Prime Minister. The coalition in the government today is made of the PPP and the PMLN. They came together to run a national reconciliation government. They hate one another. In the 1990s, the two parties handed the baton of power back and forth. Neither actually managed to last a full term. They really detest one another. For the Americans among you, it would be like putting the Republicans and Democrats into a national reconciliation party together and actually expecting progress to be made.

On top of the fact that Pakistan has a government of people who loathe one another and do not work well together, there are also many controversial decisions coming down. About 30 days after the parliament was sacked, they announced the judiciary would be reinstated. President Musharraf, who moved aside to assure he could run, will be reinstated. This is hugely controversial. The reasons for this are a) if the judiciary is reinstated Musharraf is probably out. He is likely to ensure this is not going to happen and b) if the judiciary comes back, then the corruption charges that they saw against Zulficar, the Head of the PPP before he left, may be reinstated. It is very controversial.

Also controversial are the constitutional changes Musharraf put in place. It is not clear if all or some of them should be reversed. This includes the rights of the president. The president has the right to dismiss the Parliament. Clearly, that is not something with which the Parliament is comfortable. Each of these decisions could cause the collapse of the government.

Politically, Pakistan is not looking terribly stable. Economically, things are not looking so bad. Currently it is at about a 6% growth rate. The economy has been doing quite well. This is probably due to the former Prime Minister's (former vice-president of Citi-Group) reformations of the economy over the last 3-5 years.

Unfortunately, there are a number of major problems. Pakistan is seeing what many countries around the world are seeing: demonstrations against wheat prices, rice prices, people going hungry, demonstrations over insufficient electricity generation (electricity goes out approx. 10-11 times a day). It is important to remember that the Pakistan military controls huge sections of the Pakistan economy, i.e. cereal and concrete sectors. The military is not going to pull out of these sectors any time soon.

While he was in power, President Musharraf has done a number of good things for the country. One of them was clamping down on corruption. However, there are now two parties in power, both of whom rule and were incredibly corrupt in the 1990s. When Benezir was in power, Mr. Zulficar was actually known as "Mr. Ten Percent". In fact, it was generally regarded that he took more than 10%. This is going to be a very corrupt government.

Probably the most important thing concerning Pakistan is the security situation. First, there is a sense of increased "Islamicisation". The US is not sure that it is happening it has no numbers. However, there is certainly a sense that it is happening and that it is being harnessed by extremist groups. They are providing social services to the population that the government is not providing, i.e. in response to the October 2005 earthquake. Many countries including the Pakistanis, the Americans had to actually work with these (what the US terms) "militant groups". They were the only ones who could get around in the areas that were hit. This has only gotten worse since last July's siege of the Red Mosque in Islamabad. It has increased the level of engagement and extremism of these groups.

The second group to worry about is, clearly, two separate groups, the Taliban and al-Qaeda. Actually, three separate groups. Now there is al-Qaeda, the Afghan Taliban and the Pakistani Taliban. It is becoming just a little bit more complicated. Pakistan's Taliban are focused on taking and holding ground, not only in the FATA region but also in the Northwest frontier province. They are taking that ground, and they are holding it. In 2007, there were 60 suicide attacks in Pakistan. In 2006, there were five. This is a huge uptake.
The third area of security that is of concern for the new government is of course, sectarian violence, which has been taking place for a long time. It is very much ever-present.

The fourth problem is that Pakistan is made up of four states: the Northwest Frontier Province, Baluchistan in the South West, Punjab in the North East and Sindh in the South East. In Baluchistan, which sits on the border between Iran and Pakistan, there has been fighting for more autonomy. The Baluchs fight against the military for more independence. There are huge security issues taking place in Pakistan.

Of course, the regional issues in Pakistan, the Indo-Pak relation, Cashmere and what is going to happen there. Last year, there was a strong sense among the Indians that there was a solution, that collapsed with Musharraf’s collapse and everything was put on hold. These talks are going to be restarted by the visit of the Foreign Minister of India to Pakistan. A solution on the table for Cashmere may be seen, if Pakistan’s government survives the year. Although it will not be a final solution and will look more like the road map for the Middle East.

The other issue is what is going on in Afghanistan. Pakistan, apparently, has somewhere in the realm of 100,000 troops on its Afghan border, trying to fight, very unsuccessfully thus far. One of the other challenges with Pakistan is what to do about that fight. Iran also plays a role in Pakistan’s regional issues.

The long-term future is very uncertain. The trajectory in Pakistan is either a very slow upward trajectory, or a very slow down ward one. It is very unclear which it will be. However, in the short term, this coalition government is not going to last more than two years.

The good news is, even while the government collapses, precisely because the military has now split off when Musharraf stepped down from being the Army Chief of Staff, there will be some continuity in the country. Because so much of the country is controlled by the military, there will be a bit more stability. However, the people, for the first time started to participate. They started to come out into the streets. Approximately 40-45% of the population came out to vote. That is a significant number.

In terms of US policy, historically, the priorities were terrorism, non-proliferation, and maybe democracy. It was very unfocused. Moving forward that needs to change. Movement is seen in US Congress and even in US government. The US needs to start looking at the long-term, not the short-term. It needs to be prioritizing democracy. It needs to be engaging with the 40-45% of the population who come out to vote, it needs to be building education, jobs, health service. The US needs to start engaging with the government to provide these services and replacing the militant groups who are currently providing these services. That is area number one for US engagement.

Area number two, is of course just for engaging for stability with Pakistan. It is unclear how much can actually be done to promote that. Area number three is terrorism. Just before the elections, a poll was conducted. It showed that 58% of the people did not support the “War on Terror” or Pakistan’s participation in it. The other poll showed that the second most important issue, in the elections, was the Baluchian security.

Putting these two fact together, shows that Pakistanis cannot get behind the global war on terror any more than, actually, the Indians. However, they do see stability and security in the region as very important. That is what the US needs to work on with them. That means building capacity, training, ability, and working with them on a “hearts-and-minds” campaign.

In Pakistan, there is no need to worry about is either “loose-nukes” or Pakistan being overrun by extremists (i.e. the MMA, the Religious coalition, only gained 2% of the popular vote). It is very important to keep people engaged and that they feel like they are being listened to because, if Pakistan’s trajectory takes a slightly downwards spiral, then it will be necessary to worry about extremism taking over in Pakistan.

Afghanistan is important for two principle reasons. Like Pakistan, it provides a central hub for the Silk Route linking Central to East Asia. The other reason, for the West, is the future of NATO. If Afghanistan is not a success, it has huge implications for NATO. Generally, recent studies show that it is failing and things are getting worse. However, on the ground people state the situation remains the same; it is getting neither better nor worse.

The political situation is very unstable. President Karzai, also known as the Mayor of Kabul (because many regard it as the only area he is able to control) is not respected nor supported within Afghanistan. There are elections due in the summer of 2009. Karzai did say he was going to run, however, he has not built a political party and it is not clear if he will succeed.

There are incredible levels of corruption. The warlords are still in many cases in place. Economically, Afghanistan does not have the ability to produce enough to support itself. It is relying upon the international community. The opium crop accounts for 53% of Afghanistan’s GDP. It accounts for approximately 93% of world opium consumption. The GDP is at 7.5% and is growing, but not fast enough. Security is non-existent. Even in the center, in Kabul, suicide attacks are starting to take place. Also, in Kandahar, which not something that was seen in the past.

Moving forward, this is a problem. It is something for a regional or multi-lateral group like NATO to come in and make a change. Another problem in Afghanistan is that in the West we think in 4-year terms. Change will not come in that term in Afghanistan. A more realistic term is about 20 years.

April 2008, Harvard
The factors of an organized terrorism in the Caucasian region of the Commonwealth of Independent States

Romik F. HARUTYUNYAN  
Major-General Deputy Director  
National Security Service

The international community acknowledged organized terrorism as one of the principal threats to the safety of mankind. In spite of the presence of relatively quiet regions of the world in terms of terroristic threats, no single state has guaranteed protection from the intrusion of terrorism into its territory in consideration of the following factors:

- places of permanent residence, temporary shelter and rest of the members of terrorist organizations;
- training centres of terrorists and temporary location of organized terrorist units;
- places of manufacture and storage of components of explosive assemblies and weapons for terroristic purposes;
- literature propagandizing and spreading terroristic ideas;
- banks and their branches financing terrorist organizations;
- places of making forged documents for terrorists;
- places of registration and functioning of mass medias propagandizing terroristic ideology and terrorist organizations;
- transportation and communications means used for the resettlement and transference of terrorists,

arms smuggling, explosives, explosive assemblies, drugs, money and literature for terrorists.

One of the principal vulnerable aspects for terrorists in view of numerous historical, geopolitical, legal, economic and ethno-confessional factors is the Caucasian Region of Commonwealth of Independent States, which, besides Russia, embraces Azerbaijan, Armenia and Georgia.

The problems of the united struggle against organized terrorism in CIS were first raised in March, 1993 within the program aimed at undertaking united measures of struggle against an organized crime and other similar perilous types of crime on the territory of the state-members of Commonwealth of Independent States.

Later in September 1993, the similar problems were raised when establishing the Bureau on Coordination of Struggle against an organized crime and other similar perilous types of crimes on the territory of Commonwealth of Independent States.

Actual problems of the Russian law

In pursuance of the Resolution passed on January 25th, 2000 by the Council of Head of States of Commonwealth of Independent States "About the resistance to the international terrorism in view of the results of Istanbul summit of OSCE", as well as for the purposes of the establishment of collaboration with regards the questions of warning, revelation, intersec-

---

1 The author's translation into English.
tion and investigation of the acts of terrorism and other manifestations of extremism in state-members of Commonwealth of Independent States, on 21 June 2000, a Program of the state-members of Commonwealth of Independent States was adopted regarding the struggle against the international terrorism and other manifestations of extremism for the period of up to the year 2003. The necessity to adopt this program was conditioned by the fact that international terrorism took menacing scales and its manifestation already took numerous human lives, led to the destruction of material and spiritual values. The expansion of geography of terrorism complicated the relations between the social, national groups and nations. The transnational nature of an escalating threat of terroristic activities binds the state-members of Commonwealth of Independent States to consolidate their efforts towards the creation of an international system of united measures for struggle against terrorism and other manifestations of extremism.

The principal goal of the program is the consolidation of efforts of the state-members of the Commonwealth of Independent States aimed at the resistance and counteraction to terrorism and other manifestations of extremism.

To this end, the program envisages a creation of Antiterrorist Centre of Commonwealth of Independent States.

This decision was upheld by all the state-members of Commonwealth of Independent States which form the Caucasian region. In addition, despite the fact that the introductory part of the Program contains an important statement saying that the collaboration of the state-members of Commonwealth of Independent States is supposed to be conducted through the observance of their national interests and within the formats of any interested states. A special opinion (in the name of the Republic of Azerbaijan) was expressed regarding the viewpoint on creation of antiterrorist centre, according to which Azerbaijan is to assist in its operation based on the fact of understanding that the Antiterrorist Centre ought to bear an informative and analytical nature and be governed in compliance with each of the events conducted within the provision, Constitution, national legislation and the interests of the Republic of Azerbaijan. The analysis of the contents of the special position declared by the Azerbaijan side shows that at an initial stage of the creation of an antiterrorist coalition within Commonwealth of Independent States there was a failure to reach a necessary level of confidence in the creation of plenipotentiary coordination centre on the conduct of united measures for the struggle against terrorism.

Nevertheless, the effectiveness of the struggle against the organized terrorism in the Caucasian region of Commonwealth of Independent States considerably increased during the first year of functioning of the Antiterrorist centre of the state-members of Commonwealth of Independent States. In particular, during the "Border-barrier" operation conducted in the year 2001, the activity of over 40 organized criminal units possessing not only fire-arms, ammunitions and drugs, but also 3 tons of poisonous substances and 23 detected pseudo-enterprises was intersected.

During the first two years from the moment of the creation of the Antiterrorist Centre of Commonwealth of Independent States, more than 100 hiding-places of weapons and ammunitions were detected on the Russian-Georgian territories. In the year 2002, as a result of the joint activities conducted within the activity of the Antiterrorist centre of Commonwealth of Independent States, certain data were obtained about foreign hirelings (over 200 people) from Algeria, Afghanistan, Lebanon, Morocco, Pakistan and Tunisia who arrived at the zone of the Russian-Georgian frontier, namely at the Pankis Gorge located on the territory of Georgia.

In the same year, the employees of the Ministry of National Security of Azerbaijan, having made use of the information of the Antiterrorist Centre of Commonwealth of Independent States in the year 2001, disclosed and detained 4 people who were intending to smuggle radioactive osmium-187 with a purpose of selling it in the countries of the Middle East.

Already in 2000-01, more than 100 members of various organized criminal groups, engaged in the purchase, transportation, accompanying and delivering of weapons, ammunitions, explosive assemblies, medications, uniforms and food stuffs into the territory of Russia, were arrested with the assistance of the Antiterrorist Centre of Commonwealth of Independent States.

The analysis of various scientific sources, materials, criminal statistics and the materials of the activity of the Antiterrorist Centre of Commonwealth of Independent States shows that, today, the following objective and subjective factors of the spread of the organized terrorism in the Caucasian region of Commonwealth of Independent States can be pointed out:
1. A critically high level of mass unemployment (in some regions the number of unemployment amounts to 50% out of an active population) creates a wide social basis of potential members of organized criminal units.

2. A considerable specific gravity of shadow economy in its total volume (up to 60%).

3. The consequences of the long existence of huge rebellious and restless territories on the territory of Caucasus on which the national antiterrorist legislation, that is Nagorno Karabakh and Chechen Republic, has never been and objectively can never be applied in its totality. As a consequence, it leads to the prevalence of illegal armed units in the region.

4. The special geographic location of Caucasus as an Eurasian intersection of unified channels of smuggling of drugs, weapons, “dirty money” and literature of extremist content.

5. A high level of corruption, above all in Customs Houses and other law machineries.

6. Periodically emergent interstate political conflicts.

7. The weakness of military-political and law-enforcement structures of the Commonwealth of Independent States. A low level of confidence and trust for law machineries whose function is to struggle against organized terrorism.

8. Instability of the national legislation on the struggle against the terrorism.

9. Historically conditioned traditional ethnical and religious conflicts between separate Caucasian nations hindering the formation of common aversion of any forms of extremism among the population of the Caucasus.

10. The traditionally developed contacts between the organized criminal units of the region.

11. An active financial and material aid to terrorist organizations operating within the region rendered by commercial organizations which are under the supervision of criminal communities of criminal groups and pseudo-enterprises (in particular, obtained through charitable and religious funds and as a result of misappropriation and no-purpose use of budget means. E.g., as of today, 16 foreign foundations are established which render assistance to Chechen separatists, a few banks conducting transfer operations and “money-laundering” in favour of transnational illegal armed units).

Despite of the fact that the mentioned factors fail to exhaust the totality of the causes and conditions of abundance and prevalence of organized terrorism on the territory of the Caucasian region of Commonwealth of Independent States, in our opinion, they relate to the principal factors.

October 2008, Yerevan, Armenia

BIBLIOGRAPHY

1) Declaration of Security Council of U.N.O. “About global efforts on struggle against terrorism, November 12, 2001”.


9) Kushkbov AA. Criminal and criminological problems of struggle against the criminal circulation of drugs (based on the materials of the republic of the South Caucasus). M.2000, page 15.
Chinese approaches to international security policy

When considering avenues to understanding Chinese foreign policy, international politics and security, it is good to consider eight phrases or eight themes in Chinese foreign policy. These are contemporary themes. These phrases or terminologies are relevant to today. Chinese leaders and analysts use them. They spend a lot of time constructing these terms. These are all specific terms, used in Chinese, as a way of understanding international politics. It takes a lot of time and energy to crack these terms and figure out what their meaning is.

Each Chinese White Paper on national defense (a biannual analysis of Chinese military issues) starts with a preamble. It is a small paragraph but it contains statements about the international system, definitions of Chinese interests and terror. It is the sort of thing usually glossed over, before getting to the core details about the military. However, a lot of time is dedicated to drafting these preambles. They establish the framework through which other people in the system are supposed to think about international politics and international, Chinese interests.

There are more than phrases, but these synopsize the core concepts the Chinese deal with. They provide some insight into how the leadership organizes information about the world and the kinds of cause-and-effect analyses they have about how the world works. They contain definitions of national interest, definitions of appropriate strategies for dealing with international politics, conceptualizations of the trade-offs they face in pursuing foreign policy or national security interests.

What is revealed by these eight concepts is that there is a lot of tension, a lot of debate and dilemma within Chinese foreign and security policy in general. The first term is called, "The Century of Humiliation." This, in essence, is the overarching, organizing framework for the way the Chinese think about their power today, in the context of Chinese history.

"The century of Humiliation" roughly refers to the periods starting around the 1840’s, when the People’s Republic of China (PRC) was first established. It starts with the opium wars in the 1840’s. These were wars between Great Britain and China, essentially trade wars. China was defeated and because of that, European powers (Britain, France, Russia, and later on Japan) were allowed to set up trading ports along China’s coast. These ports were run entirely by foreigners, under foreign law, and these foreigners fell outside Chinese law.

In Chinese history, these ports were blamed for undermining the Chinese economy. They were ports for cheap fibers and fabrics that undermined Chinese spinning and cotton-making industries. They were seen as flooding the commercial market in China with foreign products. The transportation networks that joined these ports, both coastal shipping networks and, later on, railway networks were blamed for undermining traditional Chinese trading networks that were mostly river and waterway networks. They were blamed for undermining the Chinese handicrafts economy.

These trading ports were part of a larger problem in the 19th century, namely, the systematic undermining of
the traditional Chinese economy. The Chinese claim that
because of this incursion, Western Imperialism in the 19th
century, the Chinese economy (19th and early 20th
Century) experienced very slow growth. China did not
industrialize as quickly as it could have, and Chinese sover-
eignty was undermined by the fact that these treaty ports
tumbled outside of Chinese sovereign control. Furthermore, this
period in the 19th century saw through a series of conflicts
with foreign countries, in the loss of territory, that the
Chinese had claimed at the height of the last dynasty, the
Ching Dynasty. They lost territory to Russia, Japan (Taiwan
1895), Great Britain, France and South East Asia, so much
so that the PRC today is about 25% smaller than during the
Ching Dynasty, which fell in 1911.

All these setbacks (because of foreign Imperialism)
are blamed, in part, on military weakness and the absence
of the industrialization process. In the 19th and early 20th
century, China lost Mongolia, the North East, parts of the
North West, parts of the border along India, parts of South
East Asia (to the French), control over Vietnam was
accessed to the French (1888) , Taiwan was accessed to
Japan (Japanese War, 1895).

This history has been packaged, or written, as the
"Century of Humiliation", so much so that there is a
National Humiliation Day in China that is celebrated on 18
September. It commemorates an incident in 1931, which
launched the Sino-Japanese War of the 1930s. This is to
remind everybody of their history of weakness in the face
of Western, foreign imperialism. The "Century of
Humiliation" leads them to analyze Chinese weakness, and
ways of preventing it from happening again. Namely, China
has to build a rich state and a strong army. In order not to
be humiliated again, China has to build a strong state and
a rich army. This has positive elements, in that the pursuit
of these objectives requires the focusing on economic
development. In turn, economic development requires a
peaceful national environment. Therefore, at different
times in history, the PRC focuses on constructing a peace-
ful international environment, minimizing conflict with
states in its surrounding.

Today, since about the mid 1980s, the official line of the
PRC is that China's goal is to create a peaceful international
environment and preserve an international peaceful envi-
ronment to focus on economic development. Of course,
other elements, or legacies of "The Century of
Humiliation" include sensitivity to status, restage in the international sys-
tem. An important element explaining a lot of Chinese
behavior is the acquisition of hyper-power symbols. Certain
kinds of military power and participation in certain kinds of
political and international institutions are in part explained
by the pursuit of high status and prestige. That was already,
in a sense, part of the Chinese history prior to the incursion
by foreign imperialism in its "Century of Humiliation". It
also leads to a very strong sense of territorial integrity and
threats to territorial loss. This is one of the reasons the
Taiwan issue seems to have such emotional salience.

The Taiwan issue is seen entirely as part of the "Century
of Humiliation". The loss of territory, initially to Japan, then
later as Japan surrendered in WW2; this territory was not
returned to China. China was not given the option of
reestablishing its formal control over the island. Rather, the
island fell under the control of the Nationalist Party that
had lost the Chinese civil war of the 1940s, and was pro-
tected by American military power. It never formally
reunited with its motherland, the PRC.

The Taiwan issue is sent through this lens. Taiwan's
independence is a threat to Chinese territorial integrity and
this threat is simply part of the "Century of Humiliation"
and has to be prevented at all costs.

An indication of the sensitivity of this issue, the impor-
tance of Taiwan's independence as a threat to Chinese secu-
The second phrase that one hears a lot of is "The Five Principles of Peaceful Co-existence". "The Five Principles of Peaceful Co-existence" are mutual respect for territorial integrity; non-aggression against other states; non-interference in internal affairs; equality; mutual benefit, and peaceful co-existence. These principles emerged in the 1950s through dialogues with China and India. The basic argument is, "These are principles by which we think states should interact with each other". What is interesting about this is not that the Chinese always follow these principles, because they do not. Clearly, there have been periods where China has interfered in the internal affairs of other states (e.g. funding revolutionary movements in Asia, Africa, in the 1960s and 1970s). However, what is important about these five principles is that they embody a sovereign-centric worldview. The core actor in the international system is the sovereign state, i.e. sovereign states have control over their internal affairs and other states should not be able to interfere.

If everybody follows these rules, then sovereign states will get along with each other. It will minimize conflict within the international system. The core of the "The Five Principles of Peaceful Co-existence" is respect for sovereignty and particularly non-interference in internal affairs. This is a very common theme found throughout Chinese foreign policy. This is particularly important in light of the issues revolving around Tibet these days. The long-term Chinese position has been that states are the core actors of the international system and that there should be no interference in the internal affairs of states.

"The Five Principles of Peaceful Co-existence" have been emphasized rather consistently particularly in the post-Mao period. It is the basis for maintaining stability in international relations.

A third term, that is again an overarching way for the Chinese to frame their understanding of how the world should be is, "anti-hegemonism". Hegemonism, in the Chinese context, refers to a state that acts in an overbearing, bullying, confrontational, immoral, amoral, hypocritical fashion. In ancient China, a hegemon did not necessarily have all those terrible characteristics. The hegemon actually referred to a state that regulated relations between the emperor and the smaller princedoms, feudal states and systems. It has evolved to mean, "The way of the dominant, illegitimate bully". This is in contrast to what they call, "The Way of the King" in which the king rules by legitimacy and the attractiveness of his rule, by providing good government. Therefore, the kingly way encourages people to sub-
EXPERT OPINION

The opposite way of the king, is the way of the hege-
mon. This is the term used through the 1960s, to the mid
1980s to describe the Soviet Union, during the height of
tensions with the Soviet Union. From the late 1980s on, it
is essentially used as a code word of the United States.
Instead of criticizing the United States directly sometimes,
for interference of the internal affairs of foreign states, for
throwing its weight around the world militarily, the
Chinese will simply use the term "hegemon". "Hegemonism"
is the codeword. The Chinese blame many problems in the
world on hegemony, very well knowing that is a reference
to the United States.

Today, when the Chinese talk about hegemonism, they
are referring to behaviors that violate "The Five Principles
of Peaceful Co-existence" i.e. interference, using force to
resolve disputes, hypocritical behavior. In addition to
describing the United States as a hegem on, the Chinese
increasingly use the term "double-standard" as another
code word for the United States. There is an increasing fre-
cuency of articles in "The People's Daily", the communist
party newspaper, in which reference is made to the US and
the term "double-standard" is used. It has gotten to the
point, where about 60% of the time that the term is used in
"the People's Daily" it is in reference to the United States.
The two are coterminate in Chinese discourse.

Chinese people also think the United States is hypocrit-
cal and behaves in a double-standard fashion. In polls
done in Beijing, people were asked to put the Chinese state
and the United States on a "1 to 7, sincere to insincere"
scale. The distribution of views of these countries shows
that over 60% of Chinese think that China is a "sincere"
country, and virtually nobody believes that China is an
"insincere" country. Whereas, almost 45% of the respon-
dents think the United States is an "insincere" country and
almost all respondents place it at the "insincere" end of the
scale. It is an understanding of the United States that is not
only at the elite level, but also at the mass level.

The result of the notion of the United States as a hege-
mon is when the Chinese analyze US foreign policy, a
tremendous amount of doubt, mistrust and skepticism
enters into the analysis. Since the Clinton administration,
the United States policy toward China is "engagement": pull
China into international institutions, the international
economy, maintain reasonably good political and econom-
ic relations. This policy is called the "engagement policy".

The Chinese think of this policy as both, engagement
and containment. In addition to the engagement compo-
nent, there is a containment element to it. By combining
the two, they comprise an overall effort of the United
States to constrain China's rise.

This analysis of the United States as a hegemon pro-
vides a framework for concluding that, ultimately, the
United States does not want to see China rise, in terms of
its power status in the international system. To prevent that
from happening it sees the United States as pursuing and
"engagement-plus" policy.

The fourth term that appears frequently is "Responsible
Major Power". This term appeared in the mid-1990s. It is
used by the Chinese to describe what China is. The ques-
tion is, "What do they mean by 'China is a responsible
major power'?" An analysis of the way the term is used, in
the Chinese media, shows the term is usually used to
describe a country that engages in active and constructive
participation in international institutions, or a state that
supports peace and development, a state that engages in
unilateral or bilateral policies aims at contributing to peace
and development. In a very small number of references, it
is defined as a state that opposes American hegemonism.

For the most part, the term is used to describe con-
structive or active participation in international institu-
tions. In a sense, it describes China's involvement in inter-
national institutions. China is one country whose partici-
pation in international organizations has increased dra-
matically. It is well above the average of membership in
international institutions.

The Chinese argue this is in some sense a reflection of
their identity as a responsible major power. One can argue
that this description of China's identity is, in some sense,
recognition of status quo interests. Part of what the
Chinese define a major power ought to do is to do in an interna-
tional system is participation in international institutions
that regulate interstate relations.

To some extent, the term "responsible major power"
reflects an assessment of China's own status quo orienta-
tion. At least, toward certain international institutions i.e.
arms control institutions, economic institutions, the UN
(China is one of the strongest defenders now). What is
interesting about this is that it can lead to a certain level of
co-operation where one would not expect to see it. This
desire to be recognized as a "responsible major power", the
desire to act in ways consistent with being a "responsible
major power" has at times led China to join or co-operate
with institutions they otherwise would not have done.
There is pretty good evidence that the Chinese signed, for
example, the Comprehensive Nuclear Test Ban Treaty in
1996 and signed a number of smaller protocols dealing
with landmine restrictions out of concern of not being portrayed as a "responsible major power". This notion provides interesting insight into how the Chinese view their role in international institution.

A fifth phrase is, "Peaceful Rise and Peaceful Development". This phrase appeared in 2003-2004 and is a term the Chinese leadership uses to describe China's rise as a great power. Their argument is that unlike other great powers of the past (i.e. rising Japan and rising Soviet Union and United States or Germany) China's rise will be uniquely peaceful and undisruptive. This is both, a wish and an effort to reassure themselves that this is how they understand their own capabilities and rise. Behind this argument is a sensitivity of understanding that what China does can alienate other countries.

In some sense, "the peaceful rise" of China reflects sensitivity to the security dilemma and its cycle of insecurity. What is interesting about this term is that it evolved in part as a signal to reassure other countries that China is aware that its growing power could worry other countries and, as a result, it would take their concerns into account as their power accreted. The recognition of the security dilemma is interesting because that it was not always the case that the Chinese leadership understood that their behavior could have negative consequences for Chinese security, if other states reacted badly.

A sixth phrase is called "A Period of Strategic Opportunity". This phrase was announced at the 16th Party Conference in 2002. This phrase refers to, roughly, the next twenty years in which China will not be a major target of American national security policy. The argument here is based on an assessment of the 9/11 and Post-9/11 orientation of American power and purpose being focused, primarily on counter-terrorism.

In a sense, the Chinese believe they have "dodged a bullet" in 2001 because in the early years of the first Bush administration, it looked as though China was shaping up to be the primary security target for the United States. 9/11 diverted attention away from Chinese power. The Chinese argue it is an opportunity not to worry so much about the deterioration of the relations with the United States; it is a period to preserve reasonably stable, good relations with the United States.

It is in this period the Chinese should therefore focus on its economic modernization. However, in order not to alienate the United States too much, China should realign its focus on Taiwan from compelling reunification to deterring independence. The argument is that, since around 2002, the Chinese leadership has focused on deterring independence not unification. It seems China can accept the situation, as long as Taiwan is not viewed as moving further and faster toward independence.

The "Period of Strategic Opportunity" reflects, to some degree, an evaluation for the medium term, China should be able to maintain reasonably stable relations with the United States and across the Taiwan straight.

The seventh concept is the "Scientific Concept of Development". This phrase also appeared at the 16th Party Conference in 2002. It is associated with the current leadership and flows from the concern the current leadership has in reducing social unrest. As opposed to the prior leadership, this one focuses more on reducing income inequalities, within and between urban and rural settings. It is wrapped up in a phrase the current leadership is also associated with called "Taking the People as the Root". This is designed to juxtapose the current leadership with the previous leaderships that simply said, "Get rich as quickly as you possibly can." These leaderships were, in some ways comparable with Reagan politics. They believed in trickle-down economics.

The current leadership is not so enamored by that approach. It believes what has evolved is an incredible inequality inside Chinese society (e.g. urban-rural income gap is about 3:1, world average in 1.8:1). In terms of income inequality, China is more unequal than the United States. There is a surplus of at least 150 million workers. There is a concern that China's one child policy, has led to a real imbalance in the male to female ratio amounting to 20 to 30 million males in excess. This male population may be a potential source of instability. The current regime is much more focused on social inequality that the previous leaderships.

The "Scientific Concept of Development" is designed to focus the attention of the political and economic system on this problem of reducing the sources of social unrest. It has a number of goals, including reducing social economic inequalities, coordinate urban-rural development, and focus on poorer regions. Most of the rapid development in China has been in the coastal regions that are plugged into the global economy. The hinterland provinces tend to develop much less quickly.

Environmental degradation is also a concern. The regime is increasingly aware (as is the case in Eastern Europe) that a lot of the political opposition to Communist Party rule came from environmental movements, and the emerging middle class' concern that their lives were threatened by environmental degradation. This simply reflects an extraordinarily serious problem in
China. All aspects of the environment are in a crisis mode. An obvious one is water. The water table in Beijing has dropped 200 feet since 1965. It is simply a result of massive use of water to sustain a population living in what is essentially a semi desert. The Yellow River, one of two of China's major rivers, which runs into the Yellow Sea, frequently dries up before it reaches the ocean. Almost all fresh water sources are polluted and 400 out of 408 cities face water shortages. Air pollution, the Chinese have to face unbelievable amounts of air pollution. It is not just a domestic problem; it is an international one because China exports this pollution through prevailing winds.

China also has the problem of an aging population. Unlike China's population is similar to developed countries. Its population is aging fast. A UN estimate suggests that by 2030 the Chinese and United States will have about the same percentage of their population over the age of sixty. The problem with that is, there are fewer and fewer people to support the aging population. In 1951, China had eight people to support any one person over the age of sixty. By 2030 or 2050, it will be one or two people to support one person over the age of sixty. This is going to put a huge burden on the social welfare system. It is going to raise all sorts of questions pertaining to growth rates if fewer and fewer people are engaged in productive labor. These are the domestic tensions, and massive problems, the Chinese leadership believes it is facing and that are to be dealt with the notion of The "Scientific Concept of Development". This represents the leadership's sensitivity the legitimacy of the regime. These are all problems that have sparked large scale social unrest in other countries. Large-scale social unrest is the last thing the Chinese leadership wants. It would challenge the legitimacy and monopoly of power of the Chinese government.

The final phrase is called the "Three Provides and the One Bring into Play". In Chinese, they like to play around with numbers. It refers to the role the Chinese military is to play in regard to the concerns and in pursuit of all the interests, the other phrases have revealed. In the last few years, particularly since 2004, the Chinese leadership has come up with this phrase about the People's Liberation Army's (PLA) historical missions. Behind this innocuous phrase is very specific thinking about the role the Chinese military should play in the development of the Chinese state.

The historical mission of the PLA has been classified by the phrase "Three Provides and the One Bring into Play". The PLA should provide a guarantee for consolidating Party ruling positions, to maintain the rule of the communist party. The second, important, historical mission of the PLA is to provide security for national development in the "Period of Strategic Opportunity". The PLA will provide security for developing the economy in that period. Another mission is to provide strategic support for the national interest. The "bringing into play" refers to the PLA playing an important role in protecting world peace.

The key here is the definition of "national interests". What is included in this understanding and what role is the PLA to play in the pursuit of these interests? The way the Chinese conceptualize national interest today is development interest. Among these interests, China has an interest in preserving and protecting overseas markets and resources, preserving and maintaining fishing resources, and preserving, securing and maintaining sea-lanes of transportation. Other interests include defending, or protecting Chinese citizens abroad (particularly as Chinese entrepreneurs move around the world pursuing their economic interests). There is debate about whether this should be the role of the PLA as well.

One concern in particular has to do with Chinese energy. Currently, the largest portion of Chinese energy comes from coal. It comes from domestic sources. About 18% of China's energy needs come from oil. It is mainly used for transportation needs. Of that 18%, about half, is imported. This means that about 9% of China's oil is imported. Of the imported oil, approximately 75% is shipped from overseas. The growing demand is a problem. Today, China takes less than 10% of world oil. With the growing demand, estimates are that by 2015 it may rise to about 15% or 20%. The problem is whether China has to have the capacity to directly control or protect, at least, access to the shipping of these oil resources from around the world to China.

There is a large debate about China's need to develop naval capabilities and maritime power (the so-called, Distant Ocean Capabilities) and whether this is what China needs to secure its energy requirements. It is not yet clear if China should be both, a continental and a maritime power. However, there are many people in China who argue it is mainly a continental power and that some of the major threats still could come from instability around its land-borders. Some argue it is primarily a continental power and therefore it should refrain from spending a lot of money, time and resources on the development of the Blue Ocean Navy.

The argument in favor of developing the Blue Ocean Navy comes from the concern about the sea lines of communication (SLOCs). One of the most important SLOCs goes from the Middle East through the straights of Malacca,
through the South Chinese Sea and up to China. It is this one in particular, the Chinese debate about how much power China should have to control or defend shipment through it, and how much it should rely on the United States to provide protection, how much it should rely on allies, or friends in the region. These debates have not been resolved yet and they are quite fierce.

To the extent that the Chinese begin to move toward the notion of a historical mission for the PLA to preserve and protect resources, and that this involves e.g. the capability to protect SLOCs. It may signal a shift from a long tradition, as a continental power, to what it currently engages in, namely a "near ocean access denial capabilities". The problem is that the PLO does not have the capabilities to engage in that kind of power projection.

The issue then becomes the question of whether it would be worth it, even if it did have the capabilities to develop at least limited power projection, to protect the SLOCs closest to China. The fact is that Chinese military power to defend the SLOCs will always come up against the American military power and it is unclear, from the Chinese perspective, whether it can win that kind of competition.

A lot of time is spent worrying about rising Chinese power. However, there is a tendency not to think about it in comparative terms. The Chinese are comparing themselves with the United States. In comparison with the United States, using military expenditures as an indicator or even the size of the economy, it is not entirely clear that China is rising vis-a-vis the United States.

There is an interesting phenomenon in the Chinese case, because it is so far behind in terms of military spending, it is actually increasing its military spending as a percentage of the United States from roughly 2.5% in 1989 to roughly 10% in 2006. However, the absolute gap between Chinese military spending and American military spending is increasing in the American favor, particularly; because of the Gulf War spending in the United States. In 2001 through approximate absolute difference in military spending between the United States and China is about 300 billion dollars, by 2006 that difference was 500 billion dollars.

The question the Chinese face is should they pour a lot of money into competing with the United States, for SLOC control protection in the Indian Ocean through to the South China Sea to the West Pacific. If they do compete, are they going to be able to win given the current net size of American power compared to Chinese military power? Projections for this difference show that there will continue to be an immense American military advantage, at least in the terms of spending, well into the future.

A Rand study indicates that well into the future (the projected difference between Chinese and American spending by 2025, when comparing Chinese military spending as a percentage of American military spending) their projection will go from about 12% in 2003 to about 35% in 2025. However, the absolute difference will also increase in the American favor. The Chinese face this dilemma.

These eight concepts reveal a lot of tension. Arguably, they divide up into two identities, two ways of understanding what China is, as a major power. One identity may be called "Westphalian" referring to the model of a great power in an international system of independent sovereign states, competing for scarce resources, competing for security. This identity is embodied in the concepts of "The Century of Humiliation", "Anti-hegemonism", "The Five Principles of Peaceful Co-existence", in "Historical Missions of the PLA to Protect Chinese Interests Abroad". The other identity emerged particularly in the 1990s and after. It is a post-Westphalian identity that downplays the importance of the traditional sovereign state. It plays up the importance of Sovereignty perforating or sovereignty constraining multilateral institutions that regulate interstate affairs.

Here, the aforementioned concepts falling under the post-Westphalian identity are "responsible major power" discourse and the "scientific concept of development". In a sense, these two identities are intentional in Chinese foreign policy. The Post-Westphalian identity appears to constrain or affect Chinese behavior in regional economic and security institutions, the ASEAN regional forum, the six-party talks, global economic and trade institutions. China is one of the greatest defenders of the World Trade Organization as an institution promoting the interests of the developing world, although not focusing on non-traditional security issues such as international crime, drugs, terrorism and other violations taking place within the international system. These are features of the Chinese diplomacy that can fall under the Post-Westphalian identity. In terms of the Westphalian identity, it is more obvious in relation to territoriality. The Chinese are still very defensive about territorial integrity. It comes up when considering national security issues, the way Chinese approach bilateral relations, and concerns of how China is going to meet its energy needs in the future. There is no evidence showing how the Chinese trade the two identities off in their relations.
When one looks back at the Cold War, the security policy of the West was a NATO security policy. Although there were European members of NATO, Europe did not play a great role as "Europe".

The idea of organising Europe as Europe within the NATO system did of course come up. It was a plan of the European Defense Community between 1950 and 1954. It failed primarily because of French opposition at the time. There was, repeatedly, a debate inside NATO about a greater role for Europe. French President Charles De Galle was, very much, a spokesman of these kinds of views.

When the European defense community failed, some rump organization emerged to make a real armament of Germany possible: The Western European Union (WEU). It was a very weak political organization, political only, but with a very strong assistance clause. It had a parliamentary assembly but no military apparatus whatsoever. The military function was explicitly delegated to NATO. Therefore, throughout the Cold War the security policy was Atlantic; organized by NATO with (of course) very much American leadership.

At the end of the Cold War, this all changed. The notion of security after the breakdown of the bipolar world is at the heart of this change. The security concept enlarged considerably. NATO had to look at multidimensional threats that were difficult to predict. The NATO strategy that emerged after the change at the end of the Cold War shows uncertainty was a keyword and instability was a problem. Ethnic cleansing, genocide were issues that suddenly emerged as major threats. The disso- lution of states now called failed states, and of course the proliferation of weapons of mass destruction suddenly emerged as major threats. Compared with the state of the Cold War, when the main problems considered by the West were the threats posed by the Warsaw Pact and the Soviet Union.

In the period 1990-1991, the notion of Europe as a pillar inside the North Atlantic Alliance began to appear. This coincides with: the breakdown of the Cold War, the fall of the Berlin wall in November of 1989, negotiations between East and West, the famous "2+4" powers that still had rights in Germany, the Soviet Union, France, Britain, the US, and the two German states that led then to the reunification of Germany and a number of international agreements that encompassed East and West Europe.

This was also the period the European Economic Community (of that time) enlarged. The Maastricht Treaty led to the creation of the European Union (EU). Germany merged, or offered to merge its Deutsche Mark in a new European currency. An EU was to have been a major step toward political integration. In that treaty one finds the notion of the European Security and Defense, which can possibly lead to a European defense. After not having a chance whatsoever during
the Cold War, the notion of European security reappeared with the reorganization of the European Economic Community into the EU.

The consequences of the change of the concept of security are profound. When one thinks back to the Cold War, one finds relative clarity in the criteria for security. It was easy to define a security threat. Looking at the other side, potential of crossing of the border would of course unleash assistance clauses of the Warsaw Pact and the NATO pact. It was quite clear. There was nuclear deterrence sitting on top, first massive retaliation of the West, threatening even a minor aggression with a major nuclear response, which became incredible. It was replaced by the strategy of flexible response, which left how the West would react to Eastern aggression open.

The result has been a degree of stability, which is quite remarkable, because behind every first shock there was a threat of escalation. As a result, both sides became extremely cautious during the Cold War. Then it ended. Personally, I still consider the fact that the Cold War ended without any shock or attack as one of the great miracles.

During the Cold War, the definition of security was relatively simple. What is it now? When one considers the criteria of security, when does a danger arise? When is instability a problem? How many people have to die? When is a group of terrorists, a problem? Inevitably there are disagreements on these points inside and between countries. Now, the definition of security risks is a matter of negotiations and consideration. It is a definitional problem. It is no longer as clear as it used to be.

Inevitably, the assessments diverge as do reactions in politics, of politicians, and, of national systems. In this environment, the business of security is now much more complex than in the 1970s or 1980’s. It is very much linked to political assessments, to movements in countries, to what goes on in failing states. For this reason, the military business of today is linked much more to other kinds of activities. This also holds true for the case of Afghanistan.

When one looks at the security situation in the West, the US is one actor. Although it is not easy for this one actor to come to one opinion, there are always divergent views among agencies. However, at the end of the day, there is a position at the top, of the President of the US and there is one opinion.

The Europeans, or rather, the EU consists of 27 member states. Not only are there internal debates, because these are democracies, but also between 27 countries. 27 countries need to decide on security policy and the assessment of a threat somewhere. This, in essence, makes security policy very different from what it used to be. Half of it is diplomacy, internal diplomacy. To come to a common assessment of what a threat is and to a common decision of what to do about it as a group. The group is a European group, which is part of an Atlantic group. There are several levels of decision-making amounting to a rather complex structure.

The Security Organization of Europe

When the Cold War ended in 1990, it was proposed by the Soviet Union and Russia to take the old, Conference on Security Cooperation in Europe (CSCE) and put NATO and the Warsaw Pact under its roof. This proposal never really moved far ahead. The CSCE became the OSCE - the Organization for Security and Cooperation in Europe. To date, it plays an important role, although not a very important role.

There were two major changes in Europe’s security structure in the period 1990-91: an Eastern and South Eastern enlargement of the EU, and a slow enlargement of NATO toward the East. There were also a number of other movements to tie and link other countries in Europe to these two organisations. NATO established the Partnership for Peace Program to open up relations between the old NATO and the former adversaries. There were "special relationships" - two in particular: the NATO-Russia Council and the NATO-Ukraine Council. There were also movements to open up the possibility of membership. The Membership Action Plans opened the possibility of NATO membership to countries moving toward democracy, the necessary form of the armed services and necessary relationships between armies and politics.

A vast movement of enlargement was involved. As far as the EU was concerned, enlargement was also taking place. Association agreements were concluded. Eight programs were formulated. Aid was given to the new democracies in Central and South East Europe. The EU also established a dialogue with the whole Southern Rim, the Mediterranean countries (the so-called Barcelona Process). It is currently being revived because of President Sarkozy's proposal for the Mediterranean. It was opposed by a number of countries, Germany in particular. The others feared it would split the EU into southern and northern parts. In the
end, it strengthened the older process - the Barcelona Process - to communicating with all the countries around the Mediterranean. Also of import is the EU’s Neighborhood Policy. The Neighborhood Policy tries to establish systems of cooperation with all the neighbors of the EU. These are the two major security organizations looking East and South East.

Russia was not excluded in some of the growth of the new institutions. It became a member of the Council of Europe and the G7 -- a union of major economic countries of the world (US, Japan, Germany, UK, France, Italy, and Canada). It then became a member of the International Monetary Fund, the World Bank, and also of the World Trade Organization. However, there was no alternative to the enlarging NATO and the EU.

At the beginning of the Post Cold War Era, the European Economic Community reformulated its policy. It adopted its Maastricht Treaty, which not only produced the Euro, a common currency, but also a common security and defense policy. There was another 1992 treaty. The Union members met outside Bonn, in Petersburg, and formulated the famous Petersburg Task as the task for this Union, namely humanitarian intervention, rescue, peacekeeping, and peace enforcement insofar it coincides with constitutional prerequisites of a country.

The era of the Yugoslav wars caused a lot of division inside the Western countries, between European countries and Atlantic countries. Clearly, these years of conflict showed the enormous disparity between the capability to act of the US and the Europeans. When the Yugoslav events started, some of the European statements said, "This is the hour of Europe.", but it was not the "hour of Europe" because it was not capable of acting. The US had to take over and lead the process, in the end resulted in the Dayton Agreement.

Importantly, toward the end of the 1990s, there was a growing realization among Europeans they could not go on the way they did in the past. Their structure was too weak. A crucial switch occurred in 1998, when Britain, the country that had traditionally always been on the American side, on the Atlantic side, in these disputes over a greater European role versus mainly an Atlantic role, made an enormously important decision. In St. Malot, it decided to join the French in an initiative to strengthen European defense, and to create the capability "for autonomous action backed by credible military force". This created the preconditions for what happened at the beginning of 1999; the Kosovo intervention.

Without going into the legal or political side of the Kosovo intervention, the Kosovo intervention had one consequence, which affected the Europeans enormously. It brought out the enormous disparity in military power between the EU and the US. It increased the willingness of the Europeans to do more. This led to the decisions taken at the beginning of 1999, the famous Summit in Cologne, to create a stronger capacity for EU defense. That was the so-called declaration by the EU High Representative for Foreign and Security Policy Xavier Solana. He still holds that post. He is the former Secretary General of NATO.

A little bit later, the EU defined the so-called Headline Goals for their military in Helsinki, which were than revised. The goal was to create a sustainable and mobilizable force of 60,000. Later on, they added the concept of having so-called "battle groups", 1,500 soldiers that can be deployed within two weeks. They also created the European Defense Agency to strengthen internal cooperation in the arms industry field to

**FACULTY BIOGRAPHIES**

**Karl KAISER**

is an Adjunct Professor of Public Policy at the KSG and Director of the Program on Transatlantic Relations of the Weatherhead Center for International Affairs of Harvard University. He was educated at the Universities of Cologne, Grenoble and Oxford and taught at the Universities of Bonn, Johns Hopkins (Bologna), Saarbruecken, Cologne, the Hebrew University, and the Departments of Government and Social Studies of Harvard. He was a Director of the German Council on Foreign Relations, Bonn/Berlin and an advisor to Chancellors Brandt and Schmidt. He was a member of the German Council of Environmental Advisors. He serves on the Board of Foreign Policy, Internationale Politik, the Asian-Pacific Review, the Advisory Board of the American-Jewish Committee, Berlin, and the Board of the Federal Academy of Security Policy, Berlin. He is a recipient of the Atlantic Award of NATO. Professor Kaiser is the author or editor of several hundred articles and about fifty books in the fields of world affairs, German, French, British and US foreign policy, transatlantic and East-West relations, nuclear proliferation, strategic theory, and international environmental policy. He holds a PhD from Cologne University and an Honorary Doctorate of the Russian Academy of Sciences.
avoid what is one of the great problems of Europe: the enormous duplication of military assistance.

Moreover, in 2003, the Europeans developed their own defense strategy, which can be compared with American defense strategy and NATO defense strategy. When one looks at European defense strategy, a basic orientation is not so much different from NATO and US strategy (with the exception of the stress on preemptive action during the presidency of George W. Bush). There, one finds something that was unthinkable ten years earlier, -- references to global threats, to weapons of mass destruction, the notion of effective multilateralism, the definition of a broad spectrum of situations requiring preventive engagement as early as possible to prevent crisis from escalating further that may lead to a military action. The EU has always stressed the necessity to go in as early as possible, with non-military means, to avoid the situations requiring the use of military force.

The EU defined an anti-terrorism policy. It appointed a Special Coordinator for Anti-Terrorism Policy. The Europeans also pushed the development of their own satellite system - the Galileo. They conducted military exercises, indeed since the early 1990s, since the creation of the European Security and Defense Policy (ESDP) in 1999, the EU has conducted a number of operations.

There are 12 current EU missions under the ESDP roof. They are not very large but politically not insignificant: one in Bosnia-Herzegovina, two police missions in Congo, a training mission in Iraq for Iraqi forces, an advisory mission in Congo, supporting action in Darfur for the UN, a small force facilitating the Raffa crossing between Egypt and the Gaza Strip, a small force in Moldova, an advisory group in Macedonia, a political mission in the Palestine territories, a small planning team in Kosovo (here there may be more to come in the future), and finally a relatively large group in the Chad at the moment. It covers all kinds of activities policing, training, to robust peacekeeping, and combinations of civilian and military approaches. The High Representative for ESDP Solana said, "These activities are active but they are not seen as threatening."

There are European forces in other parts, in other missions. For example in Lebanon, under the UNIFIL, but they are not there as EU and they are not there under the EU flag (e.g. there is a large group of Navy contingents, of Italians and Frenchmen since the war between the Hezbollah and Israel to secure the state of affairs). The fact that they are NATO members helps with communications but they are not there as an EU force. Whether this is a good thing, has been a debated between so-called Atlanticists and Europeans throughout the emergence of this EU force.

There have always been enormous concerns in Washington that the rise of a European force would undermine and weaken NATO. This led to a number of negotiations to redefine the relationship between the emerging European force and NATO. Beginning with the first agreement in 1996, the Berlin Agreement, and the current Berlin Plus Agreement, it was extremely complicated. The whole issue of Turkish relations with European effort turned out to be a major problem. Turkey wanted to be part of the emerging ESDP and used its position inside NATO to extract as many concessions as possible. This inevitably complicated the negotiations. However, when one looks at the agreements, the two sides had a strategic relationship with each other. The agreements consist of three main elements between NATO and the EU - the Berlin Plus arrangements. First, they get EU access to NATO planning. Second, the Europeans get access to NATO command options. Third, they get access to assets and capabilities.

On the first one, there is NATO planning of course, which is done in NATO. The EU has a small planning unit at SHAPE to assist, and to work out contingencies with the military staff in NATO. Second, the EU can request NATO to make European command options available. Once that happens, the Deputy Supreme Allied Commander in Europe is then the primary candidate for a European operations HQ in such a major operation. Third, the EU can request the use of NATO assets and capability. They have agreed on a list, on the procedures, how to use the financing and other things that one has to do in such case. These agreements have been applied in a few instances. The rather ideological debate is no longer the issue. In fact, it is disappearing in a very constructive way.

In this whole arrangement, Europe is of course a major asset within the NATO arrangement. Europe succeeded in creating a set of relationships, which are essentially peaceful. War is unthinkable within Western Europe; no minor achievement or outcome for what was a very bloody century.

It is perfectly understandable that a number of countries would like to join this club. That is the place of peace and constructive relations. There is no need to worry about old rivalries anymore. They are gone. All that was achieved would not have been possible without the major role the US played. One could even
go so far and say: "We have now a system where peace exists among the Atlantic nations. War is unthinkable now. Of course countries want to join." It is a model of soft power of the EU. It is also one of the reasons why enlargement is working, and why the EU actually has problems. Countries want to join faster than they are capable of actually joining and taking the responsibilities and duties that go with it.

As a union the EU has become a major partner in a number of political issues. The whole problem of dealing with the nuclear program of Iran is done by the EU-3 (Britain, France and Germany) with the cooperation of High Representative of European Foreign and Security Policy, Solana. They conduct a joint policy. They refer back to the EU and do so jointly in some cooperation with the US. This did not exist in the first part of the Bush administration to the extent it does exist now. Now American policy and European policies are pretty much going in the same direction.

The European contribution to Afghanistan is considerable. After 9/11, when NATO declared it was ready to enact Article 5 for the first time in its history, it offered a policy to help when the first Afghanistan war took place to throw out the Taliban. However, it was the policy of the US Defense Secretary Rumsfeld and the Bush administration not to use it. Personally, I as well as many others, consider this a major strategic mistake. It would have offered the possibility to start the reform of NATO. It was a "Coalition of the Willing", including France, Britain, Germany and others that threw out the Taliban, though not with complete success. In part because troops had to be used in Iraq, but that is another story.

NATO was not used, but it has been rediscovered by Bush administration. It is now a major instrument to deal with the problems of Afghanistan. There are 47,000 troops there under the UN mandate: the US with 19,000, the UK with 7,700, the Germans with 3,500, the French with another 700, Georgia will also have some more troops. In any case, there will be more troops in the future in order to deal with an extremely complex problem.

Many of the discussions being conducted within NATO and also in preparation of the NATO summit in Bucharest, which just took place, was to look at the future of NATO strategy, and to redefine the relationship between civilian and military means in dealing with the central problem now. The central problem now is to make sure that what is still a failing state, namely Afghanistan, will not deteriorate. The conditions must be created to prohibit the resurgence of the Taliban, which could again make the country an operational place for attacks in other countries. There is agreement on the goal, although it is not quite clear to define stability. There are different ways of looking at it. There is of course an enormous problem of Pakistan, which is around the corner.

Current Issues

The last NATO summit in Bucharest shows the direction the Alliance is going. First, was the very controversial issue of enlargement. Importantly, NATO has had enlargement as its goal ever since the early 1990s. Its decision to invite Albania and Croatia was not controversial. In the same way the role of the EU's Stability Pact (in particular) to stabilize the Balkans is indispensable. Membership in NATO is a stabilizing element in this still, potentially, very unstable region. It did not work with regard to Macedonia because Greece and Macedonia could not agree on a name. This is most regrettable because that issue, in comparison the political importance of the issues is not that important. There is not much understanding for this kind of quarrel. Consequently, Macedonia could not join, although both Macedonia and Greece would profit from Macedonian NATO membership.

America's wish and the wish of Ukraine and Georgia to be put on track toward membership did not come about. There were strong oppositions from a number of European countries, most openly by Germany and France. However, they were not the only ones who opposed. In the end President Bush did not get what he wanted, namely, a clear commitment. When one looks at the formulation that was used, "NATO welcomes Ukraine and Georgia's Euro-Atlantic aspirations for membership in NATO. We agree today that these countries will become members of NATO. Both nations have made valuable contributions to Alliance operations. We welcome the democratic reforms in Ukraine and Georgia, and look forward to free and fair parliamentary elections in Georgia in May. Membership Action Plan is the next step for Ukraine and Georgia on their direct way to membership. Today we made clear that we support these countries' applications for Membership Action Plan". While they said 'no', they also clearly indicated that the two countries have a prospective to join. However, the calendar is open and whether that will happened at the next Foreign Minister's Meeting remains open, but at least it is indicative of the direction things are going.
A major issue in the runup to the summit, also at the summit, was the question of missile defense. It is a highly controversial issue. It is linked to American unilateral withdrawal from the ABM Treaty, which was very much criticised by Russia, but also by quite a few of the European allies, because of the importance of the missile defense for stability and nuclear deterrence. Ever since then, the administration of G.W. Bush has considered missile defense as a major element of its policy. However, the missile defense against intercontinental ballistic missiles (ICBMs) is not yet operational, far from it. It is different with regard to the theater the technology is much more effective.

The proposal by the administration to put the systems into Poland and the Czech Republic (with interceptors in Poland and the radar in the Czech Republic) caused an enormous amount of controversy. The West European allies saw that this was a step which, given strong Russian opposition at that time, was not necessary and considering that it was a non-functioning system to a not existing problem (the ICBM problem from Iran is not going to emerge for the next ten years or so). There is plenty of time. For this reason, many Europeans and also Russia had problems with it.

Russia had reacted strongly. President Putin's speech last year at the Munich conference was quite a bombshell. The situation is more muted now because there have been bilateral negotiations. The Russian offer was picked up by the American administration to join the systems, in particular to review to what extent one can have a system, which will only be activated once there is a real threat, and to do that jointly. The principle of having Russian inspectors has been accepted to make sure the system is not directed against the Russian forces.

The NATO summit in this respect, gave George W. Bush a small victory but the details must be considered. NATO endorsed the principle of missile defense, but for the Europeans it is about all theaters. The decision puts missile defense into the NATO institution, which means it is no longer an issue between the Czech Republic and Poland, and the US. It is now a NATO issue, which means that everybody takes part. A proposal, which the German Chancellor had to make quite a long time ago when this issue came up, and in connection with Putin's very, very critical speech at the Munich Conference. It is now a NATO procedure. Written into the decision is also the requirement that this should be worked out with Russia. 'Ballistic missile proliferation poses an increasing threat to allies' forces, territory and population. Missile defense forms part of the broader response to counter this threat. We therefore recognize the substantial contribution to the protection of allies from long-range ballistic missiles to be provided by the deployment of the European-based US missile defense assets. We are exploring ways to leave this capability with current NATO missile defense effort in a way to ensure that it would be integral part of any future NATO wide missile defense architecture. Bearing in mind the principle of indivisibility of allied security as well as NATO solidarity, we task the Council in Permanen session [ambassadors] to develop options for a comprehensive missile defense architecture to extend coverage to all allied territory and populations not otherwise covered by the US systems for review at our 2009 summit. To involve any future political decision... We also commend the work already under way to strengthen NATO-Russia missile defense cooperation. We are committed to maximum transparency addressing proper confidence building measures to allay any concerns we encourage the Russian Federation to take advantage of US missile defense cooperation proposal, and we are ready to explore the potential for linking US, NATO and Russian missile defense system at an appropriate context.' Clearly, a reorientation has taken place. It is now a NATO matter and NATO has admitted the necessity to cooperate with Russia.

Finally, the controversial issue of the extent European defense would undermine or weaken Atlantic structures, is also disappearing in the background. What helped here was the election of President Sarkozi who, very early, made clear that he is open-minded on the return of France into the military integration of NATO. France never left NATO, but France left military integration under Charles de Galle, when the NATO HQ had to move from Paris to Brussels. However, a condition is the strengthening of the European defense structure. Sarkozi made this very clear to the American administration. In result, George Bush has now made a very strong speech, in which (in the context of Bucharest Summit) he stated that European defense strengthens Atlantic defense in particular if it succeeds in creating greater capabilities. The old quarrel now recedes in the background. There are still two structures: a NATO structure and the EU structure but the nature of their relationship matter of improving their relationships now has a better chance.
This presentation is rather challenging, as you might imagine, in that it is an unclassified presentation. Not only do we typically deal with things that are secret, we deal with things that are typically top secret, and probably over classified. Hopefully, the selected topics will be engaging, including our past successes, and areas where we can go forward.

It should be kept in mind that the FBI is a domestic agency, as well as a law enforcement agency, that has been around 100 years this year. I am at FBI Headquarters, specifically, I am in the Weapons of Mass Destruction (WMD) Directorate. It is a fairly new outfit for the bureau.

Many things changed after the events of 11 September. One of those being the way the FBI handles terrorist activities. One of the things that came out of the 11 September assessment of how we conduct intelligence, was that the FBI needed a unit that dealt specifically with WMD albeit nuclear, chemical, biological, as well as the delivery systems that are involved in taking these things to their targets. I have been there for about 1.5 years and have a lot of biological and chemical background, degrees in microbiology and chemistry, a Masters in genetic engineering.

One of the things we are involved in is the Chemical Weapons Convention where we have all signed on to try to eliminate from the world, the use and stockpiling of chemical weapons. The US is one of the countries, together with Russia, that has stockpiled many of these weapons.

The Bureau has numerous units, both in the US and abroad, that work this complex topic. Our counterintelligence looks at the topic from the angle of the issue being a state sponsored one where certain countries are trying to be identified as proliferators. For instance, we have agents in each of our Departments of Energy (DoE) laboratories. The agents working there look for foreign nationals that are visiting, teaching or conducting research to verify that that is indeed what they are doing and that they are not trying to steal secrets or enhance foreign weapons programs.

There are many ways the FBI attacks the issue apart from the WMD Directorate.

Another thing the FBI has done is have many detail agents. Recently, the FBI has taken many agents and supervisors and attempted to put those into other agencies in the US to help cooperation. One of the common problems is information sharing. It is not only a US, Romanian or Bulgarian problem, it is also an FBI problem. Literally, getting the FBI to communicate with over 12,000 agents is a challenging thing. What the FBI has done is it has placed agents in other intelligence agencies in the bureau whether it be the Central Intelligence Agency (CIA), the National Security Agency (NSA), and the National Counterproliferation
Center (NCPC). These are all US intelligence agencies in which the FBI has typically not had a presence. The FBI has put agents in there to assist with information sharing. That is also something the FBI is very proud of.

The FBI has a legal attaché program abroad, in Sophia, Bucharest and other places. The program is also a part of a counterproliferation program. The ultimate goal is to prevent and neutralize the acquisition of WMD. That includes the technologies and the technical know-how. The latest information we have shows there are 9 states with nuclear weapons capability and about 12 with chemical and biological weapons capabilities.

There is a very good, unclassified report that is put out by the Congressional Research Service (CRS). It is phenomenal in detailing WMD systems and numbers (i.e. of certain weapons states might have). Information like this is usually classified. This is an excellent annual publication. It is highly recommended and available on the internet. It also provides information about many international treaties dealing with WMD and their member states. It is a very good piece with which everybody in the field should be familiar.

The FBI realizes the US has a big target on its back. It does produce many of the high-tech technologies, whether they are military or commercial. The challenge is that commercial businesses work on completely unclassified technologies for which, over night, an application is identified that has a military, space or national defense application. This makes the related projects classified. Dealing with projects and technologies like these that are on the cusp is a challenge the FBI deals with on a daily basis. For example, a group in New Jersey was acquiring technology which was not classified 6 months ago. Getting the information was not a violation and then, it became classified. These types of cases are challenges for the FBI and its agents in the field.

UN Security Council Resolution 1540 is a main resolution, signed in 2004. In it WMD proliferation was an international threat to peace and security. The Nuclear Nonproliferation Treaty, back in the 1960s, was an attempt to stop the flow of nuclear technology, equipment and things that could be used to enrich plutonium or uranium, but are also used in the civilian nuclear industry. Obviously, it is known how important nuclear power is right now, with all of the current discussions about petroleum and the need for alternative fuel sources. Differentiating between the dual-use applications is a challenge. Things like the Missile Technology Control Regime that attempts to regulate the missile components and technologies that go into the ballistic and cruise missiles that could be used by rogue states such as Iran.

Iran is worth thinking about. Just this morning Ahmadinejad said that 9/11 was a fabrication, the US inflated the numbers and never released the amount of people that died. This is the same person trying to build a nuclear weapons program and calling for the destruction of Israel and believing the Holocaust was a joke. Again, very scary individuals are leading Iran. Not all people in Iran are like their leaders. However, the situation in Iran is disturbing and pertinent. The entire world understands that safeguarding these technologies is an important issue and must be done.

There are many reasons people try to acquire WMD technologies: They do it to advance their own programs. They do not have the possibility on their own to update existing platforms. They also do it from an asymmetric standpoint. If the whole world knows that the US and China are going to be world hyper powers, they have to find their vulnerabilities i.e. by attacking their communication systems, their satellites, the chinks in the armor they believe will bring the US to a level playing field.

One of the FBI detailees sits by the Department of State. One of the things the state has is the International Traffic in Arms Regulations (ITAR), which tries to regulate the acquisition of certain defense articles to certain rogue or terrorist groupings et al. Currently, 24 countries are on that list and are prohibited from obtaining US technologies. Iran is right on top of that list.

Some of the ways proliferators come into the US attempting to acquire these things are universities with ties to defense contractors. In
New Orleans there was a defense contractor working on unmanned aerial vehicle (UAV) technology. This is one of those technologies that, pretty much, everyone is coming after. Many times, they come to US universities and conferences trying to find that technology.

The circumvention of export control laws is a big issue. The FBI believes that the current export laws are good and effective, but there are many ways of getting around them. An unfortunate example of this is the Missile Technology Control Regime. It prohibits the creation of a missile that will go further than 500km at 300kg. It is possible to get around that provision by building a missile that will fly for 250km and you put two of them on the back. There are many ways to get around the export laws and they represent challenges in the US. People are coming to the US trying to get information on UAVs, anything nuclear, biological or chemical related, nuclear and delivery systems, advanced explosives. The FBI is covering these obvious areas. The not so obvious areas being covered are the dual use items. Any item that may go into a nuclear weapon or may be used in a missile delivery system, but also has legitimate US business applications i.e. hospitals, automotive industry, are very difficult to protect. A good example of how dual use can be manipulated is the animal feed plant in al-Hakim Iraq. In the 1989, it was working on ricin and anthrax. All the technologies, the fermentors, the equipment involved is all dual use, that could be used for civil purposes, in fact they called it an "animal feed plant". However, they were working on other items there, botulinum anthrax in 1989. The CIA reports that 6,000 liters of botulinum and 8,400 liters of anthrax, unbelievable numbers, were all being produced there at the "animal feed plant".

A framing camera is another example of a dual use item. It takes pictures at the microsecond. Imagine a grenade; it will take about 6,000 pictures as it is going off in the millisecond. However, it is also used in all sorts of high-speed photography in other applications. The FBI is concerned about groups like North Korea and Iran that have hidden nuclear programs. They are trying to do things under ground at the very sub-critical level, in very small amounts of special nuclear material albeit plutonium or uranium 235. This would allow those groups to do nuclear testing without being detected. These items are therefore very protected by the US and all the others who have signed the international treaties.

The FBI is trying to work on many different fronts: the counter intelligence division that would focus an entire unit on Iran or North Korea, in the counterproliferation unit or the espionage unit.

Now, a few words about the LEGATS (legal attaches); the FBI has Legats, agents at the supervisor level and higher, in 61 countries and 14 sub-offices providing coverage in over 200 countries. Unfortunately, sometimes one agent has to cover four countries. These people exist and are there, in the Black Sea Region as well. They are very open to contact. Two agents that are there in Bulgaria work very well with the Ministry of Interior, the National Security Agency, the Ministry of Defense. They are real assets and are there 24/7.

In the Black Sea Region, the FBI has a LEGAT in Ankara Turkey, Athens, Bucharest, Kyiv, Moscow, Prague, Sarajevo, Sofia, Tallinn, Tbilisi and Warsaw. Therefore, the FBI has agents who have been there for several years and are working with the local governments on a variety of issues, i.e. law enforcement, human trafficking, drugs, in addition, one of their top priorities is stopping the flow of WMD materials and the proliferators in this trans-shipping region.

The Proliferation Security Initiative (PSI) is something about which the FBI is excited. Currently, 86 countries are signatories to the agreement. It came about because of the recognition that there were lots of missiles and nuclear components being shipped internationally, with no way of effectively handling that.

In December 2002, it came to a point when the FBI found out (through intelligence) that North Korea was sending (15) scud missiles to Yemen. The US and several of its partners, including Spain, got involved and literally stopped the shipment in the sea. Not only were the missiles on the vessel, they were hid-
den under blocks of cement. The learning point was that there were no existing rules, or treaties to allow the stopping of this shipment. It was allowed to go through. The PSI has changed this as everybody has learned about the need for cross border and cross-continen
tal cooperation.

One of the key points of the PSI is consisten
cy with national and international laws (getting everybody on the same page was the main challenge).

The Counter-proliferation Unit is the lead unit at FBI headquarters that engages in PSI exercises. It has posted PSI exercises internationally. One is planned for August 2008 in Budapest. Of course, the Legats are involved in PSI. In addition, Retired FBI agents are also involved in the South Eastern European Cooperative Initiative (SECI). It is a center in Bucharest, which attempts to stop the traffick-
ing of WMD, dual use technology, trafficking, smuggling and other transborder crimes etc. It is an excellent center, which has been backed by the US for quite some time and is funded and supported by Romania. The retired FBI agents sit in Bucharest and Sophia. SECI also tries to develop crisis management exercises on an international and local level. They try to do it simultaneously with numerous countries, multiple sites and threats. They do it with success. The US is an observer and it looks like the EU is trying to take a lead in this. The FBI is involved in so many activities, statewide and abroad, that it is a challenge to be up on all of them.

In September 2007, there was an excellent exercise called, "The Black Sea WMD Exercise". The FBI set up a tabletop exercise with four countries it was working with (Georgia, Moldova, Romania and Bulgaria). It was an exercise of planned terrorist activity, where the terrorists were attempting to acquire Cesium137, a radioisotope that something that is used in hospital and mining applica-
tions but can be used in a radiological dispersal device (RDD). It was a very good exercise and lessons were learned from it.

Recently in Sophia, the FBI held a counter-
proliferation awareness conference where several ministries were brought in and looked at how customs and border control would work with the Ministry of Defense and the new National Security Agency to deal with threats like that. It was good. It engaged everyone and allowed them to move forward.

There are many maritime problems (i.e. shipping containers where terrorists could possibly put a bomb in a shipping container to detonate in one of the ports). It is a very big vul
nerability for all.

From about 2000 onwards, the Defense Threat Reduction Agency (DTRA), the FBI, Department of Defense and others went to Albania, Azerbaijan, Armenia and Croatia and did some good training. There are many success stories in several of these countries. In September 2006 in Armenia an atom anti-terrorist exercise jointly worked with Russia on countering terrorists attacks. They focused on the Armenian nuclear plant. Therefore, again, they are dealing with real life, realistic threats and the US sees these partner countries working on minimizing these threats. There have been several pieces of legislation that have been ratified by Georgia and others. In 2004, Bosnia set up an inter-ministerial task force, comparab-
le with the FBI's Joint Terrorism Task Force. It is in each of our 56 field offices. There have been many good steps forward with training and attempting to stop the flow of these items.

Every time there is civil unrest, the threat of trafficking in all of its forms is higher. Keeping this in mind it is understood that many coun-
tries do not face the same kinds of threats or problems facing the US. They do not have a national lab or a Los Alamos in their back yard, and they do not have to worry about these sen-
sitive technologies being stolen. One of the greatest challenges lies in securing borders, and trying to develop legislation to prosecute people trying to take technologies and materials (e.g. Cesium 137, other radioisotopes).

The FBI is domestic intelligence with a lot of interest overseas, more and more so with the threat of terrorism and proliferation. However, in this regard, it is only as good as its cooperation and relationships with other states.

April 2008, Harvard
Basically, I stand between you and interesting discussions and I am going to lay out some basic facts, attack some mythologies, and get us into what I hope will be an interesting exchange among us all.

If this program had been held when many of us in the room started our careers, the discussions that we would be behaving would be heavily about military hardware, about force on force, about throw-weight, and about Warsaw Pact versus NATO. Thank God we are in a different era now, and we relate to each other in new and better ways.

But looking more widely at the topic of security, it has become not simpler but more complicated, multidimensional. So we have (this is cliche essentially but it is true) the age of transnational terrorism, international crime, global warming. In other words, in a globalized world the challenges are very, very different than they were decades ago.

One of the key things in national security is economic well-being. So economic well-being (and this is very true for the U.S. and every country here) is central to national security. A key component of that is energy.

We hear the phrase 'energy security' very often in an era of a hundred-and-ten-dollar oil. It is easy to see why, and it is not just oil. Natural gas prices are linked to oil prices through the use of formulas. Price changes in the oil market are radical. In America, certainly, we are having a long debate about so called energy security, but a couple of points here. Even though the phrase 'energy security' is very commonly used, it is little understood. In the U.S. when I hear politicians and journalists talking about energy security, it seems as if they are saying that the U.S. must have ownership rights to every barrel of oil if we are going to be truly secure. American commentators on the airwaves worry about foreign oil dependance, but I think we have to look closer at what energy security truly is.

Energy security also has different meanings depending on a country. If you are in an energy producing country it means one thing, if you are in an energy consuming country it means something very different. Looking globally, at energy security issues, I think the strategic aspects of energy are very powerful, and nowhere are they more interesting than in Eurasia.

So let me talk a little bit just about this concept of energy security.

Both for producing and consuming countries, energy security, by large, means one thing: efficient markets. For a producing country, it means a way to sell your product. For a consuming country, it means the ability to purchase that product at a competitive price.

For the U.S., energy security means an international energy market that is working efficiently,
that price determines the availability of oil, that there is a new flow of product on to the market, that there are effective ways to get that product into the economy. In American economy it's fairly simple, because we have tankers bringing oil to three coasts. We have gas pipelines and oil pipelines coming down from Canada as well. We produce a lot of our own energy.

But in Eurasia it's a much more interesting picture. The Eurasian environment has changed enormously in the past 15 years. There are pipelines that have developed in Eurasia, but let me start with the situation the way it was.

In 1992, strategic environment changed greatly. Russia has always been a major producing country along with Kazakhstan and to a certain degree, Azerbaijan. The energy consumers are located more in the West, in the ex-Soviet west, and then in Western Europe. So this is a situation in 1992 where oil was produced basically in heavy deposits of West Siberia, and also in the North Caspian, and some in Azerbaijan. The infrastructure of that period was designed to serve the Soviet industrial heartland, which was concentrated in Russia, Ukraine and Belarus. So the pipeline networks were designed to bring energy from the well and into the industrial heartland. So also with gas that is basically the Gazprom export system of that era. This is an important starting fact when we look at Eurasia: the existing pipeline networks.

Another important fact, looking at Eurasian energy in 1992, is that the energy sector was very undercapitalized. There has been a severe lack of investment, and enormous potential but a real lack of investment, and a lack of advanced technology. For much of the 20th century it did not matter because the oil was fairly easy to develop. But what we find globally is that as more and more oil is taken out of the ground, the easy oil is gone. The easy oil is pretty much disappearing in the world. To get oil now, means much greater technical challenges whether it is drilling tens of thousands of meters in the deep ocean, or whether it means getting it form very challenging geological deposits in Eurasia.

But in 1992 with the end of the Soviet period, there was severe under-investment. When we look at energy security issue, if you are a producing country, if you are Russia or Kazakhstan, if you are Azerbaijan or Turkmenistan, what does energy security mean to you? A major issue here is the investment. If you are a producing country, you must have the investment that is going to enable you to bring that oil and gas out of the ground. So in 1992, the producers (Russia, Kazakhstan, Azerbaijan, Turkmenistan) faced the challenges of getting new investors into the upstream. The place
EXPERT OPINION

where oil and gas are produced is the upstream. Where it is sold into markets is the downstream, and the network in between is the midstream. So that's challenge number one for producers: attracting investment and technology.

What else does energy security mean for a producing country? Reliable markets to sell you product. A basic principle of energy is oil is easy and gas is hard.

Oil is easy because when you bring oil out of the ground, because of its physical properties, you can put that oil into barrels, pipelines, tankers, railcars, and then you send it on to the market. You do not need to know who an eventual consumer of that oil is. It does not matter because oil is a commodity that's traded. You put it on a tanker, the tanker is sailing on the Black Sea, while that tanker is sailing the contract is being traded in New York, London, Moscow.

Gas is hard because you can't handle gas in the same way. Before you can bring that first molecule of gas out of the ground you, the producer, must have a reliable long-term customer who would justify the investment of many billions of dollars in a pipeline network to get that gas to market.

To sum again, oil is easy, gas is hard. And two most important things for a producer are attracting the investment and having the secure markets. Summarising energy security, when we look at Eurasian producers, it looks pretty good because oil prices are high and gas demand in Europe is powerful. But let's have a look at some energy security complications for the producers:

1. Russia, a major transcontinental producer, is in production decline.

The next phase of Eurasian energy of Russian production is going to bring tough challenges for Gazprom and Gazprom may have a shortage of supplies by 2010. It's going to be critical for Gazprom if it wants to meet its production targets, if it wants to meet its budget targets to supply its domestic consumers and the European markets, it is going to have to increase production. The West Siberia fields are cheap to develop. Shtockman, the Yamal Peninsula are extremely expensive to develop. This is upcoming production challenge for Russia.

There are other issues. Russian production has been essentially flat for many years. Production this year is going to increase by 1.3%, but demand within inside Russia is growing at 2.5% per year - twice as much. This means that there is a powerful need for growth in the Russian gas sector (the situation is similar for Turkmenistan.) So the energy security task for Russia is to address its gas production challenge. What's another way to do this? One way Russia did, is handling the production challenge and the supply challenge is by turning to Central Asia for gas. There is a growth in exports to Europe. The European demand is very high, and it is growing as well as the domestic demand. Russia is increasingly breaching this gap by looking to Turkmen gas to help fill the supply gap. At this point, we enter the strategic terrain as well the relations of Russia with the Central Asians. The Central Asian dependance on Russia for exporting product. So you see the upstream situation where there is rising demand in Europe, but the gas fields are declining. The gap is filled by Turkmen gas, and the Uzbek gas should be also included, to some extent, in that picture.

What did Gazprom do? Gazprom controls the Eurasian gas export network. It controls exports from Turkmenistan. What do monopolies do? Monopolies use their monopoly power. Gazprom has been able for many years to buy Turkmen gas at an artificially and extremely low price because Turkmenistan has had no options.

The Turkmen dictator got angry at Gazprom in 1996, and cut off supplies of Turkmen gas to Gazprom to teach Gazprom a lesson. The Turkmen economy went into free fall: GDP declined 90%, the country came close to bankruptcy. Niyazov had to crawl back to Gazprom and accept whatever price Gazprom chose to give him. That was a key energy security moment for Turkmenistan because it had no options. The same situation exists today. Turkmenistan has no export options with its gas. Uzbekistan, as well, has no export option for its gas. If you are a producing country, like Turkmenistan, and you can't export that product then you have a major national security issue. If you are a country like Turkmenistan, and your economy is enormously dependant on gas exports, you do have a serious problem (as the dictator of Turkmenistan found out).

We have seen this also with oil because there are enormous new volumes of oil being produced in...
Kazakhstan. The Kazakhs have had to rely on Transneft, an oil transporting monopoly, in order to export their oil product.

In the mid-1990s what the U.S. Government heard from the nations of Kazakhstan, Turkmenistan, Azerbaijan was that they did not feel fully secure, they did not feel that their national security was best served by having this enormous dependance on monopoly companies to export their product. The U.S. Government therefore worked with these countries and the companies to create a new system of pipelines that break the monopoly control of these two large companies.

The centerpiece of this is the Baku-Tbilisi-Ceyhan oil pipeline that was finished in 2006 and brings Azerbaijani oil across Georgia and down to the deep water port of Ceyhan, and it's already shipping nearly a million barrels of oil a day. Parallel to this is the South Caucasus gas pipeline, which ships Azerbaijani gas into the Turkish gas network. There are a number of other routes.

Here is the way the U.S. approaches these projects. What we believe is that in order for these projects to take shape they have to be commercially sustainable. The argument has been made that these are political pipelines. Our reply to this is these are company decisions for profit. Governments do not build successful pipelines. We can talk about Odessa-Brody in Ukraine, for example, which is a government-driven pipeline, which has had difficulties for a long time. But of all of this, this is a private sector that has to be involved because that's how the pipeline operate successfully.

If you look at the map of the pipelines in the Black Sea region, you'll see that pipelines would have been cheaper and shorter if they went through Armenia. But the problem of course is the Nagorno-Karabakh conflict. The private sector has said: we are not going to take that degree of commercial risk by putting pipelines through the two countries that are at war with each other.

That's another point in the energy security issues. I don't believe in peace pipelines, which do not exist. Pipelines are followup of peaceful conditions. All investments follow peaceful conditions. Investments hate risks. And that's another important issue in looking at these energy security calculations.

So the East-West energy corridor, that the U.S. has supported, has given this greater measure of energy security, or autonomy, or independence to Azerbaijan and also to Kazakhstan.

This is the upstream situation. These are energy security issues for producers.

Now, what do consumers do?

Again, consumers need reliable markets, especially with oil. The key fact about oil is this. If you have dollars, you could buy oil. Period. That's energy security. If you have the money, you can buy it because it is a global market in oil.

That's why here in the U.S. there is a political debate. You hear this accusation that the Iraq war was about oil. That makes no sense because in order to get oil, you don't need to own a well. All you have to do is have money to buy that oil. There is also a side effect. If the Bush Administration wanted access to oil, or American companies wanted investment opportunities, it had a very easy way to do that, which is simply sign a decree lifting sanctions. That would allow American companies to go in there. Whatever the Iraq war was about, I find it hard to believe it was about oil.

If you have dollars you can buy oil, whether it is China producing it, Russia or Venezuela producing it, dollars make oil available to you.

For gas consumers it is a little bit challenging. Oil is easy; gas is hard because gas depends on pipelines. And if you are dependent on a gas pipeline for your energy security, and something goes wrong, it is very tough.

I worked at the U.S. Embassy in Yerevan in January 1992. It was a very difficult period between Azerbaijan and Armenia. Before 1992, Armenia's gas supply came from Azerbaijan. When the war started, that gas connection was broken. I have lived in the country. I have the experience of living in a country, in Yerevan, when there was no power. It's remarkable. People use wood for fuel, the entire nation uses wood. It's hard to describe what a fuss was there particularly at that time of the year. Everyone was cold, economic activity came to a standstill, and that is a core national security issue. That example showed me that a country needs alternatives.

The situation would have been different in Armenia, should it have, for example, nuclear power producing capabilities. That's one answer to energy security, which is to have different alternatives, and types of energy. But not every country has a nuclear
power plant. And nuclear power plants are not going to power your cars, or your airplanes. Yes, you have to diversify with different fuels, but you also need to diversify with different sources.

When we look at energy infrastructure existing in 1990s, it means that heavy dependence on one supplier is the rule rather than the exception in the former Soviet and the Warsaw Pact nations. If we look at degree of dependance on the Gazprom network in Europe, Ukraine should be nearly a 100% dependant on Russian/Turkmen gas. Moldova, Georgia, Armenia are also heavily dependant on Russian gas. This is a legacy of the Soviet years. The infrastructure was designed for the Soviet Republics and for the Warsaw Pact nations.

That leads to the question of reliability of Gazprom. How reliable is Gazprom as a supplier to countries that are so heavily dependant on this one supplier? For 25 years, Gazprom has been a hyper reliable supplier to Western Europe. Gazprom, as a corporate partner with Western world, has been world-class in supplying that energy. But the picture is different when we look further East. High dependance plus history of energy cutoffs have caused steady level of anxiety in the leaders of Georgia, Romania, Moldova, Ukraine and Azerbaijan. So these governments are looking for alternatives.

That leads us to the next phase of energy development in Eurasia. To remember that we had the first phase of alternative pipelines, and now we are moving into the second phase of energy development.

Let's start with oil.

Here is the Kashagan field, which is the fifth largest field on the planet. There are going to be enormous amounts of new oil coming on to market from Kashagan and Tengiz. But there is no place to ship it further North. There is the CPC pipeline. Transneft has blocked expansion of that pipeline for the past 3.5 years. This pipeline from Tengiz to Novorossiysk is the only pipeline on the territory of the Russian Federation not controlled by Gazprom or Transneft. And this is a blow in the throat for Transneft, which has been trying to gain control of it for 6.5 years.

There is going to be a major new need for new oil pipelines. Look at the production figures for Kazakhstan. Kazakhstan is going to be a major producer. The answer to this is going to be a new set of transport options. One is a pipeline from Kashagan down to the Caspian port of Kuryk, coming across to Baku, and then out to world markets.

Another rising issue is that even without CPC extension, Russia is going to be producing more and more oil, and more of it is to be coming to the Black Sea. So the question is: where will it go? Here is more of the oil being produced. Even the oil coming out of Azerbaijan is coming through Supsa sitting on the Black Sea coast and then going to the Bosphorus Straits.

But look what happens every winter. You've got major delays in shipping oil through Bosphorus Straits. You have to be Turkish to fully understand the tension that you feel about oil tankers going through it. I am sure many of you have been to Istanbul and know what a disaster it would be if anything happened with an oil tanker going through Bosphorus. It's a real problem because Bosphorus is very narrow also. This means that although the oil industry uses 300,000 tons deadweight tankers that in the Bosphorus you can only use 150,000 tons tankers. So this contributes to the congestion.

And the Bosphorus is pretty tricky. Imagine a 150,000 tons deadweight tanker coming from the Black Sea and heading South. There is a central line. Watch what happens with currents in the Bosphorus. The tanker is so heavy that at different points it will have to follow curves in the sea lanes. One time it is close to the center, then it crosses the central line, and at least in three different places of the strait this tanker will be moving in an opposing way of ship traffic. So for a 150,000 ton tanker, the Turkish authorities must close down traffic in the other direction in order to ship that oil. Sometimes a tanker even goes over the opposing side limits. So as you get into Istanbul itself, you'll see the hundreds of small ferryboats that the tanker also has to contend with crossing back and forth on the different sides of the Bosphorus. I mention this because this shows the challenges of Black Sea oil export. And then, as it goes into the Sea of Marmara, it still has to cross back and forth across the sea lanes.

So what we are looking at are new pipelines that will be built to take care of that tanker problem. Now there five different pipelines in competition: from
Samsun-Ceyhan to Constanta in Romania. There are two options in Bulgaria.

What is the U.S. view on which pipeline should be built? We don't care. Let the market decide. Let's see which one is commercially sustainable. Right now, the two leading candidates are Burgas-Alexandropolis and Samsun-Ceyhan. But there must be new pipelines for the Black Sea.

Now what about gas pipelines? European demand is rising. The Gazprom system is getting old, it is under-invested. These are some possibilities. Gazprom is proposing a range of new pipelines: the North European gas pipeline (Nord Stream) and the South Stream (10 billion Euro project from Russia into Bulgaria). The other issues here are the Nabucco pipeline, the Turkey-Greece-Italy interconnector, and potentially, Trans-Caspian gas pipelines.

There is enormous debate about these projects. And Gazprom is trying very, very hard to preserve and expand its market share. The Nabucco Consortium, Turkey, Greece and Italy are trying to bring their project to life. To the U.S. looks at this is to say: which of these projects increases energy security of the region? Which of these projects brings competition, diversity, transparency to Eurasian energy? So we favor the development of alternative pipelines that break the Gazprom monopoly. But again, the market has to decide. The U.S. government cannot sign a decree and bring pipelines into operation.

Let me turn to one final issue of energy security and the strategic aspects of energy. We have the Kazakh oil rise of production, we have the rising of the Azerbaijani oil production. Azerbaijan, Kazakhstan, Turkmenistan, Russia, in an age of a 110-dollar oil, have enormous amounts of money coming into them. But an assumption is that this is a good thing. The assumption is that if you have this oil money that that guaranties development. But let me quote from a 1995 Harvard study of 97 developing countries. It found that the more important national resources were to a country's economy, the lower its growth rate was. Of all the resource-rich countries they studied, only two were able to grow as fast as 2% a year. Many resource-poor nations grew much faster. And this is known as the 'resource curse.' The studied over 40-year period of time showed that some countries have done pretty well: Norway, the U.S., Kuwait. Other countries like Nigeria, which has exported hundreds of billions of dollars of oil and gas over the decades, still have had standard of living not better in 2000 than it was in 1960. This is the resource curse.

According to the Transparency International Corruption Perception Index, resource-rich countries that are corrupt, fail to use their resources productively. Resource-rich countries that are transparent and non-corrupt have enormous growth in their societies. It is a critical question for Eurasian energy-rich countries today. If you are a producing country, e.g. for Azerbaijan, Russia, the critical question is: how would you use this money?

110-dollar oil is the worst case for economic reform. If you are a budget maker, let's say you are running the Turkmen budget, and natural gas prices have gone higher. Or imagine you are a Kazakh finance minister, do you think you are a genius? Your budget is high, you have no need to change anything. There is no pressure on you because with a 110-dollar oil everything is working well. You can afford big projects, high salaries. It's when oil prices go high, decision makers think there is no need for reform. But then you wind up with the resource curse.

Let me summarise this final point. For producing countries, the underlying thing is rule of law. For states that have this hydrocarbon wealth such as Russia, Azerbaijan, Kazakhstan, rule of law is inescapable for development, for stable progress. And, there is a wider point, these are the things that develop economies: resource-rich or not resource rich. Rule of law, de-bureaucratization, anti-corruption, press freedom are the elements that develop economies. So that is part of the message the U.S. brings. When we talk about energy in the Eurasian context, for us it's not a great pain. It's not a new great game in Central Asia. What is it about? It is about rule of law, stable development, transparency, competition, diversity. For us, those are the elements of energy security in the Eurasian region. From those follow our pipeline policies, from that follows our support for economic reform. That's the way that we look at Eurasian energy, where there is a more fascinating situation than never before.

April 2008, Harvard
My job is to start the discussion about the applications of the current trends in world affairs to US policy. Perhaps we should start with the end of the Cold War. What is most remarkable about the end of the Cold War, besides the fact that it was a peaceful ending, was that it left a situation that was unprecedented in world history, with one power, which was much greater, then all the rest. Traditionally, in world politics, we usually think of balances of powers: when there is one power that is strong, other powers team up against it to prevent it from becoming too strong. During the entire period of the Cold War we used to talk about bipolarity of the US and the Soviet Union as a balancing power. Before World War II we used to think of multi-polar balance of power: five major powers. That was also the pattern of 19th Century Europe. Traditionally, in world politics, there has been a balancing of power. For about the last half century, we had a bi-polar balance. However, with the end of the Cold War one of the balancers, the Soviet Union, vanished.

With the end of the Soviet Union enters a time when we have the American superpower and no balancer. The whole concept of "superpower" was developed after the Second World War. Unlike the period before WWII, when we had many balancing powers, at the end of WWII just two countries remained much larger than the rest: the US and the Soviet Union. They were given the name "superpower". At the end of the Cold War, one of the superpowers implodes leaving a very strange world, in which you have only one superpower.

That type of world is something we are still trying to come to terms with in American policy, and the rest of the world as well. It is worth remembering that we often find it hard to understand where the US is in terms of power. For example, if you think back 15 years, the conventional wisdom about American power was that the US was in decline. America was finished. There were a number of bestselling books that talked about the rise and fall of great powers, which predicted the US is going away like Phillip the Second's Spain or Victoria's Britain. It was finished. Quite obviously, that the conventional wisdom widely believed in 1990's turned out to be wrong. The new conventional wisdom at the end of the Cold War is that it is a unipolar world with one superpower. That can go on for a long time.

An American columnist Charles Krauthammer, who writes for the Washington Post and Time magazine, coined a phrase in 2001, which he called the new unilateralism. He said because the US was so powerful and there was no one to balance American power, the Americans should decide on what they thought was right and just do it; others would have no choice but to follow. The phrase "new unilateralism" was quite popular in the first term of the current Bush Administration.

However, one of the problems is that if we are not very good at predicting American power. If 15
years ago we got the predictions very wrong, then what should we be predicting now for 15 years into the future? Are we so sure that the US will remain the world's only superpower? What should that mean for American policy? We are wrestling at this time with these questions. If you take the view of the US as the only superpower, some maintain the prediction of decline is going to come true. At the World Economic Forum in Davos, there was a discussion about so-called power shifts. Some people said that one of the great power shifts occurring now is the start of the end of the American superpower. Some even argue that Iraq war was to the US as the Boar War which, in the end Britain won, but turned out to be the forerunner of the decline that followed.

Let us step back and look at the pros and cons of the assessment of the American power today. Think of power, as the ability to get the outcomes you want. This is a simple way of defining it. You can get the desired outcomes in three major ways: by threatening people militarily and using hard power; to do it by inducing people, with payments (aid, bribe, economic power etc.), and you can do it by attracting people so they want the outcomes you want i.e. using soft power.

If we look at each of those three dimensions - military, economic and soft power - let us see where the US stands. It seems to that in terms of military power the US is the world's only superpower. This is likely to remain that way for quite some time to come. If you look at the expenditures in military affairs, US military budget is about half of the world total. When you are half of the world total, it is hard for other countries to put together a balance of power, which could balance you. You would have to have everybody agree to be in an Alliance against the US to get anything near a balance. That is rather unlikely. Simply based on military expenditures and capacities, the Americans do look like a single military power.

However, not just expenditures matter in terms of military power. It is what you get for your investment. What you get for your investment depends - for an important part - upon the application of technology. The so-called revolution in military affairs, which began a couple of decades ago, applies new information technologies to traditional military expenditures. It is generally argued to be an area in which the US remains well ahead. Other countries can develop some of these technologies themselves, they can steal it, and they can get some of the capacity. However, there is a difference between having some of the technology and having the whole system of systems. In that integration of the technology in a system of systems it is generally agreed that, the Americans are well ahead and are likely to stay there. This is based primarily on the fact that, in the American economy, the information revolution has been in the forefront. The American economy is the one that was most adept in responding to what is sometimes called the so-called third industrial revolution. The application of computing and information in the economy took off at the end of the 20th century. It has been led, for the large part, by the United States.

Indeed, you can argue that this was one of reasons for the collapse of the Soviet Union, not the particular actions of Ronald Reagan or Mikhail Gorbachev or something else. The underlying reason was that the Soviet centralized economic planning system was unable to adapt to the third industrial revolution. It was very good in dealing with the second industrial revolution: creating steel factories, big electric plants, other planning economy's projects. Yet, the third industrial revolution relies on such short product lives (sometimes 3 months, 6 months to a year), that if you wait for a planning system to do it, by the time they have get permission from Moscow back to the factory and then back to Moscow, the product line becomes obsolete. In that sense, people say the difference is that the central planning system which helped
the Soviet Union so much in recovery after World War II (the period of growth the Soviet Union had in the 1950's) was good for then, but very bad for later. The Soviet inability to adapt is the basic cause of its decline, as some people said: the central planning system is all thumbs and no fingers.

In that sense, if one looks at the military power of the US it is likely so strong not simply because of a large expenditure (the huge defense budget) but also because it rests on an economy which has been in the forefront of the information revolution. Thereby it is based on the technology that is applied for the revolution of military affairs. In the 1950's and 1960's we used to say that economic progress comes from the spin off from defense expenditures. The Pentagon has its large projects that feed the American economy. Nowadays, it is often quite the opposite; not a spin off, but spin on. It is the creativity of the private sector, which helps in the military.

If you look at the American military power today, it is hard to see any country with the capacity to match the US in military power. However, it is worth noticing that military power has its limitations. Americans have a tremendous capacity for power projection. No other country in the world can project power as far away from its homeland as the US. Yet, there is a great difference between projecting power in so-called open spaces (space, air, sea etc.), and actually projecting power so that you can occupy and maintain occupation in a foreign country.

Americans are finding out now that they have that superb military machine for winning wars but not for winning peace. If you look at Iraq, the interesting thing is that in 3,5 weeks Americans won the war but in 3,5 years, they were not able to win peace. That is, partly, because military power is much more difficult to apply when you have to deal with the nationalistic population and in the post-colonial era. Therefore, the Americans have a predominant military power and it is likely to be particularly useful in the global commons, but not so useful in the local neighborhoods.

If you turn to the second dimension of power, economic power, there I think the US also has a preponderant position. It is likely to remain so for some time. The US economy is equal to the next leading three economies combined. With all of its problems, the American economy remains quite dynamic. People look at those problems and say: how can you be optimistic about the American economy when its current account deficit is as high as it is, when China holds a trillion dollars of American reserves? If China were to drop or cash in these reserves, they could bring the Americans to their knees.

In analyzing interdependent economic power, it is necessary to look at the symmetry and interdependence. In these terms, the US and China are quite symmetrical. Some people, like Larry Summers the president here at Harvard, call it a financial balance of terror. If China were to drop or change all its dollars to other currencies, it could bring the US to its knees but it would also bring itself to its ankles. So it will also terrible to China.

The major problem that China faces is the problem of modernization, change and hope. In China, you have 450 million people who have risen out of poverty but there is another 450 million left behind. You have many state-owned enterprises, which must be closed to get more dynamism and build a modern economy. However, then you have these unemployed people, a large floating population sometimes estimated at 100-150 million people who are wandering from city to city without a permanent base. This is a prospect of instability. Therefore, the Chinese figure they need exports to American markets to be able to provide the jobs that provide political stability and hope. The last thing they want to do is drop their dollars and create a problem for the American economy, which would put up tariffs against Chinese goods in turn creating political instability inside China. That is what Summers means, when he talks about a balance of financial of terror. If we have balance and there is symmetry and economic interdependence there is not much power. If you depend on me, and I do not depend on you, then I have an economic power.

If we look at the American economy, I think it is a lot better than what many experts predict, in terms of Chinese holdings of US dollars. The most important thing is a greater role of productivity. If you have a high productivity growth rate then you will be able to grow for the future. In turn to grow out of the current problems we have now.

For the large part, the American fiscal deficit and trade deficit are the result of domestic policies. It is essentially because the government spends more than it takes which leads to these deficits. That is curable if with a high rate of growth of productivity. The information revolution, referred to earlier, has
created a proper base for American productivity growth. Therefore, while other countries will grow in their economic strength, I think that the US is still a more powerful economic power that any other country, and it will remain so.

What about the soft power? I define it as an ability to get what you want through attraction rather than coercion or payment. Soft power stems from a country’s culture, its values, and its policies - when these attract others. Traditionally, the US has been very strong in soft power. In fact, if you look back to the period of the Cold War, you could argue that that Cold War was not won by American hard power alone. It was won by a combination of hard and soft power.

Hard power balanced Soviet military power, but it was soft power i.e. the attractiveness of culture and ideas behind the Iron Curtain that ate away the belief in communism at home. Therefore, when the Berlin Wall finally collapsed, it collapsed not under the barrage of artillery, but from hammers and bulldozers yielded by people whose ideas have changed. That is an example of successful soft power.

In recent years, the Americans probably have less soft power that they had in the past. There has been a considerable decline in soft power measured by public opinion polls. A large part of this has to do with Iraq war. Some of this started even before the Iraq war because of the new unilateralism. In addition, we have to mention the Kyoto approach, and the fact that Americans became less popular in the world etc. It is interesting to see that America loosen about thirty points of its attractiveness, on average, in all the European countries. It is even worse in the Muslim countries. In Indonesia, the largest Muslim country; the US attractiveness level fell from about three-quarters in 2000, to less than 15% in 2003 when Iraq occupation started.

It is therefore possible to assert that there has been a decline in American soft power, i.e. the ability to make others do what you want them to do through attraction. Such unpopularity in other countries creates problems for foreign policy, which becomes more costly. For example, in 2003 the President of Mexico said he wanted to help George Bush to win the Second UN Security Council Resolution on Iraq. But by then, the US was so unpopular inside the Mexican Parliament that their President could not support Bush. In effect, Mexico was against the US voting for the Second UN Security Council Resolution on Iraq. That is exactly an example of how the decline in the soft power has costly consequences.

Is that a permanent decline? We do not know. There have been periods, in the past, where the US was very unpopular, e.g. in times of the Vietnam War, but, within a decade, it renewed attractiveness. We do not know when the Iraq War will be over, whether America will regain some degree of its attractiveness, or if it will be permanently damaged.

In any case, look at these three dimensions of power. In military power, America seems preponderant and will remain for some time. In economic power, America is also likely to remain preponderant. In soft power, since it has declined, the US may go higher or stay where it is.

If one looks back at historical examples, one may ask, “What is the chance that other countries will form a balance against American power?” Many realists (i.e. William Kristol, Robert Keagan) say it is the law of nature that a balancing coalition will form. The argument is that China would be the central balancer. It is growing in an extraordinary way, (e.g. at 11% of economic growth this year). Robert Keagan writes that in the 21st Century, China will have the same role as Germany played in the 20th Century.

The trouble with this analogy is that in the 20th Century Germany had already passed Britain in overall industrial strength. That is not the case with China and the US today. China’s economy now is about 1/8 of the size of the US economy. If China continues to grow at the current rate, and the US grows at its current rate, it is possible that the Chinese economy will equal the size of the American economy by 2030-40.

Even if this happens, there is still a problem with per capita income. The Chinese will not meet the per capita income until the end of the century. Unlike the German analogy, China is quite a long way from passing the US. In that sense, it must be recalled that China faces a number of problems. For example, China has not resolved the problem of political participation. In contrast with China, neighboring India has a democratic constitution; there is a mechanism for participation of these increased middle classes in companies’ growths. The case of China becoming larger than the US and a core balancer of the US is questionable as well as exaggerated by some of the current forecasters.
The other candidate for balancing the US would be the EU. The EU is an entity that has a population larger than the US, an economy equivalent to the size US, technological and military sophistication. In that sense, it could become a balancer. However, two questions must be asked. Is the European public willing to come together to form a larger entity which has single defense and foreign policy? There is of course a single defense and foreign policy but it is loose in terms of pulling together. There is some doubt regarding the extent to which Europe will become one entity for using its power. The other question is, do Europeans want to spend 4-5% of their GNP on defense and military affairs? Most probably, an opinion poll would show 'no'. Yet, only spending 4-5% for defense could make the EU equal the US in military terms. Therefore, the chance that Europeans will be the balancer of American power is relatively slight.

Beyond that, people sometimes mention India. However, India is behind China. It is not likely to catch up to the US for at least the next 20-30 years. One can turn to coalitions, Russia, China and India together. To some extent that already happens. It is the so-called soft balancing. If these three countries are at times annoyed with the US (and the US can at times be very annoying), they will sometimes coordinate their diplomacy in the UN Security Council. However, if one talks about a serious balance of power with coordinated military planning etc., it is unlikely. China, India and Russia each have great suspicions of each other. Russia looks at China, and China looks at Siberia and both ask, what is the future of Siberia? If you look at India and China, Indians are (on the surface) friendly-oriented toward China. Yet, India has a great deal of concern about the rise of Chinese power. Therefore, this India-Russia-China coalition is likely to occur in its time for diplomatic purposes. It is, however, unlikely to serve as a balancer of American power.

If the above-mentioned holds true, does it mean that the US is the sole superpower and that the new conventional wisdom, as expressed by Krauthammer, is correct? I would say 'no'. I think that new challenges to the US will come from a different direction. It will come from the effects of the information revolution and globalization. What has happened in the later part of the 20th century, the information revolution has not only undercut the Soviet Union while boosting the US, it also empowered non-state actors. Think of the following: from 1970 to the year 2000, the costs of computing and communications were down a thousand fold (!). When something drops so dramatically as that, it has dramatic effects. For example, if the costs of an automobile had gone down as rapidly as the costs of computing and communications, you could buy a car today for $5. When the price of the technology drops so dramatically, the barriers to entry go down giving entry to anybody who was previously priced out of the market can now play the game.

For example, in 1970, if you wanted to have instantaneous global communication between, let us say, Bucharest, South Africa, London and New York, you could do it, but it was very expensive. The difference is today anybody has that capacity just by entering an internet-cafe. Two weeks back in London, I saw a sign 'Internet cafe - one pound one hour'. That is about two dollars! It means that the previously restricted capacity for only limited amount of major players is now free. Or another example: in the 1970s only the US and the Soviet Union had the capacity to take one-meter resolution pictures of the Earth with reconnaissance and intelligence satellites which cost billions and billions of dollars to obtain. Today anybody can go onto the internet and get even better photographs with half-meter resolution for pennies. Capacities previously restricted to governments are now available to non-state actors. This does not mean that governments have been surpassed by non-state actors but it does mean that the stage has become more crowded.

Today, non-state actors can have serious impact. Some of them are benign such as Oxfam and Greenpeace, others malign such as Al Qaida. It is worth noting that on 11 September, a non-governmental organization killed more Americans that the government of Japan did at Pearl Harbor in 1941. That is different, that is a new dimension of politics. Today, non-state actors have capacities that were previously reserved for governments. They can cause more damage. This is the new world politics. We have had terrorism and non-state actors long before. However, its role and capacity has been greatly enhanced by the information revolution and globalization.

What this means when trying to assess US policy and how power should be used, is that we have to be more realistic than we have been over the last half-dozen years or so. Today to consider the US as an unprecedented power that can do whatever it wants is to make a big mistake. Power depends on context and
it is a relationship. For example, if one country has five thousand battle tanks and another country has ten battle tanks and that type of tank is 500 times stronger, the outcome will still depend on the context, i.e. whether this battle takes place in a desert or in a swamp. It is necessary to specify the context of power before it is possible to know power. Many people measure only resources saying that this proves how powerful this or another side is, but they do not specify the context.

Interestingly, in world politics today, power is distributed very differently in three quite different contexts. This has policy implications. I use the analogy of the three-dimensional chess game, in which one simultaneously plays horizontally and vertically. On the top board of military relations among states, the world stays unipolar for the above-mentioned reasons. Americans are likely to remain the world's only military super power for quite some time to come. On the middle board of economic relations among the states, the world is already multipolar. This is an area where the EU acts as an entity. The Commission of the EU can make economic decisions for the whole group. China is becoming an increasing power, Japan as well. Therefore, if the US wants to trade or an antitrust it has to get an agreement from these other countries.

The situation is unipolar on the top board context and multipolar on the middle board. If we go to the bottom board of that three-dimensional chess game, the board of transnational relations (cross-border relations outside of government) the power is chaotically distributed. No one is in charge. If you think about the spread of pandemics or Asian flue, international crime, transnational terrorism, global climate change, these transnational movements are not controlled by anybody. In that sense, to talk about this bottom board as one that falls under American hegemony is nonsense. The only way Americans can do anything in this area is by cooperating with other governments. It is interesting that most of the biggest threats we face today come from this bottom board of international relations, not form the top board or the middle board of this three-dimensional chess game. This has an important implication for policy.

It means that as one looks at American policy, it is necessary to find ways to deal with this new set of threats by getting help from others. The views, popular with the first term of the Bush administration have already changed somewhat with the second administration. There is a greater realization that, if the US is to accomplish what it wants in the second term, there is a greater need for cooperation from others. We are already beginning to see those changes in the American policy for a more cooperative and multilateral functioning, and I suspect, that will be more true after the 2008 election albeit won by a Democrat or Republican. This trend, this pendulum, is essentially swinging back based upon what I call the fundamental paradox of American power.

The paradox of American power is that the strongest country since the days of the Roman Empire is unable to protect its own citizens alone. On one measure of power, unipolarity will remain for sometime. However, challenges will come from this bottom chessboard of transnational actors. It is not possible to deal with them without the help of others. We are beginning to realize that our policies are going to have to adjust. To effectively deal with those challenges, they need to be more cooperative and institutions and relations need to be built with others. This is what is meant by the structure or power and its implications for American policy.

Soft power is the ability to attract. A lot of soft power is produced by civil society. That is a great source of soft power, but the government cannot control it. Simply, most people have more contact with American culture and society not American government. What the government can control is public diplomacy. About 1.5 billion dollars are spent by the US on public diplomacy. There is however, a limit to public diplomacy. It must be realized that the more it is propaganda, the more it is 'selling the message', the less credible it is. The more money is spent on propaganda (with a congressional mandate to get our message out), the less valuable it is. It is the off message things that increase credibility.

The government cannot control soft power completely. When it does have programs to use soft power, it has to be very careful with how it does so. Governments do have control over policy. The extent to which policies are seen as legitimate in the eyes of others the more likely they are to build up attraction. There are things a government can do in a strategy but it is not very well organized to do so.

Therefore, when someone asks, "Can your government have a strategy on soft power?" The answer is "Yes, but with difficulty; and not if the government has not even organized itself to ask the question."
Russia's perspectives in the Black Sea region

As ever, I speak here as a 'dissident v zakone' (a 'licensed dissident'). So my views have no necessary relationship to those of the British government, or might not prove what I have to say.

Only Russians can speak about Russia with authority. The best I can do is try to speak about Russia with perspective. What I will try to do is set changes in Russian thinking alongside changes in the Black Sea region (BSR). And that's not very easy.

There has been no coherent scheme in the security of BSR since the breakup of the Ottoman Empire. The BSR is hugely important as it finds itself between zones of geopolitics and between different geopolitical dominances.

And Russia is both a key external and internal security factor in this region because Russia is of course a part of it.

There are a number of factors that are discussed now, which are seen today as very problematic about Russia. I want to mention these factors because most of them are not new.

1. When the dust settled in Russia after the Soviet Union broke up, and Cold War was officially ended, and after the initial period, which Russians rightly call the 'period of romanticism' (and I'd say a period of illusion), the Russian political and security establishment essentially replaced a Cold War view of the world not with the post-Cold War view of the world, but with a pre-Cold War view of the world.

   All of us in Europe would have understood that and have been very comfortable with before 1940: balances of power, dominance of great powers, security schemes built between great powers, an importance of establishing a recognising spheres or zones of influence, and privacy of all spheres of geopolitics. These views, which in the mid-1990s were called 'centrist views' became much more dominant. It was not President Putin in February 2007, it was President Boris Yeltsin in April 1994 speaking to senior officers of Russian Foreign Intelligence Services, who said: global ideological confrontation is being replaced by a struggle to establish spheres of influence in geopolitics. Again it was not President Putin who said that Russia is not going to dissolve into the European schemata of values. It was Boris Yeltsin's press secretary in 1994, who also said Russia is a great power, and we are saying this loudly.

2. The conviction in Russia that future security must be built upon recognition of the former Soviet Union as a zone of Russian special influence is understandable. There has never been a state, a Russian state, that has occupied the borders that the Russian state has occupied since 1992. Many of these borders in Russia could rightly be regarded as arbitrary and artificial. It has to take some time for them to be expectable. It has taken more time for independence of neighbors to be accepted. Independence not in a sense of 'nezavisimost',...
At the same time, NATO’s thinking has changed. NATO has adopted the post-Cold War view of itself and its security. We have done it in a usual way. We have done it with a lot of uncertainties, inconsistencies, exceptions, hypocrisies, and double standards. In a post-Cold War environment, if you turn up at NATO HQ looking for a job, and during an interview you say that one of the purposes of NATO enlargement is to contain Russia, you won’t get a job within the NATO.

What swiftly became important to NATO in the 1990’s was the breakup of old multinational state, the emergence of the new states on a basis of weak, com-

3. There is a deeply sitting perception in Russia that without access to the Black Sea, without presence in the Black Sea, without real influence in the Black Sea, and of course without the Baltic Sea, Russia is no longer a great power, it is just a very important internal player.

At the same time, NATO’s thinking has changed. NATO has adopted the post-Cold War view of itself and its security. We have done it in a usual way. We have done it with a lot of uncertainties, inconsistencies, exceptions, hypocrisies, and double standards. In a post-Cold War environment, if you turn up at NATO HQ looking for a job, and during an interview you say that one of the purposes of NATO enlargement is to contain Russia, you won’t get a job within the NATO.

What swiftly became important to NATO in the 1990’s was the breakup of old multinational state, the emergence of the new states on a basis of weak, com-

3. There is a deeply sitting perception in Russia that without access to the Black Sea, without presence in the Black Sea, without real influence in the Black Sea, and of course without the Baltic Sea, Russia is no longer a great power, it is just a very important internal player.
promised institutions with dubious legitimacy, immature democracies, with very limited capacity, with ethnic problems, national problems, weak state authorities, states that are not trusted, where the gap between state and society is enormous.

All of this is happening on our frontiers, and it would inevitably lead to conflicts - not just an organised crime, but the organised crime of the international dimension that we have never seen in Europe for an exceptionally long period of time. This is a new agenda of security challenges NATO must be transformed to deal with. People working inside NATO started dealing with all of this. My institution, in its earlier life, was also dealing with this; we were a part of a structure called the Directorate General of the Development and Doctrine of the British Army. We were looking at how all of this changes the realities in which we, as an Alliance, have to work now. And as we looked at all these challenges, we didn't see them in a zero-sum terms. These are common challenges affecting all of Europe. Therefore, NATO looked at European integration and NATO enlargement through that new framework of common security challenges, and not as at some kind of a new geopolitical instrument used by some people against other people.

For most of Russia's defense and security establishment this transformation was not taken seriously, and for many of them NATO remains what it always has been – a military bloc. Its enlargement is seen in Russia as primarily a political threat, which will serve the purpose of isolating Russia from Europe, and diminishing its influence. Moreover, Russia sees traditional military threat as well.

The fact that NATO does not intend to pose any of these threats. The fact that NATO does believe that it is advancing stability and common security interests. The fact that we believe in our own values but they are not accepted by the majority of Russians. Such our behavior has sharpened this difference, and led us to a principal threshold. It was well demonstrated during NATO's intervention in the Kosovo conflict in 1999. It had a profound effect in Russia, and in Ukraine as well (Note: before that, pro NATO opinion in Ukraine was probably fifty-fifty; after that and since then, the proportion pro NATO and against NATO very dramatically changed). Initially, what we did in Kosovo was unavoidable, essential and the right thing to do. But after Kosovo, we could no longer say that NATO is just a defensive alliance. We are no longer a purely defensive alliance. We have used military power in pro-active ways, which might be legitimate and might not be. It had a profound effect.

But in Russia, the effect had been very specific – particularly within the military and security services. Because people looked at all of the ingredients going on in the former Yugoslavia, starting from the early 1990's, and they saw an analogy with themselves – the breakup of the Soviet Union. And what they began to fear is that under the flag of this term of 'coercive diplomacy' that NATO would start to perfect diplomatic and military techniques to intervene in another such a crisis, and specifically in the former Soviet Union. What were they looking at? The North Caucasus. I might be an only person, particularly in my institution, who believes that the Kosovo intervention was one of the major factors that persuaded the then acting President Putin (although he was a prime-minister at that time) and the Russian military establishment to relaunch the Chechen war, and complete it most definitely on Russia's terms; as swiftly, as brutally, as thoroughly as possible in order to close this vulnerability which NATO could exploit. These are all factors.

What has changed? One main thing: the reason we didn't notice all of this is because at that time Russia was weak. But that was it. When Boris Yeltsin was in power, Russia was, in terms of international law and diplomatic courtesy, a state. In operational terms, for much of the time it was not a unified state. It was an arena upon which very powerful entities competed with one another for power and wealth; and did so at Russia's expense. The dominant reality then was what Russians call 'mnogogolosye' (a multivoicedness, discordance). Whatever the policy was, it didn't matter because there were entities that had their own interests, and they knew how to achieve them (not only in Russia, but also in neighboring states). The core seniors in the power in the former Soviet Union were the fuel and energy complex, the Armed Forces, the defense-industrial system, the security intelligence networks. That was all established on the all-Union basis, and the all-Union connections survived. In many respects they still play a role incidently.

So the first thing changed when Vladimir Putin came to power, is he restored the state. He restored coherence. Even in December 1999, when he became just an active president there was a fresh energy crisis with Ukraine. Suddenly, the Ukrainians dealing with that issue found the difference: they realised that they were dealing with a state, and, in fact, with a power.

President Putin also shifted the ground back in one (well understood when Stalin came to power) important respect. Both Gorbachev and Yeltsin put the priority on
changing the international system as the way of facilitating internal changes. President Putin, like Stalin, reversed the formula: he revived the state power in order to secure international changes. This change of references was very swift and very disorientating for all the observers.

Secondly, we have to talk not only about coherence, but about strength. That strength, today, is found overwhelmingly on Russia's position as a provider of energy resources. Whereas the first set of changes depended very much on the leadership, the second set of changes, to some extent, simply depends on Russia's good fortune. Because it could not have been anticipated, it could not have been carried out without a very sharp rising in energy prices we have seen over recent years. That was not the situation Putin inherited. It has not been forecasted back in 1999 or 2001. Quite the opposite.

The third thing that has emerged in this context was a new degree of resentment. The Kosovo conflict caused some resentment. But a new source of resentment was presented a very different view of these things, I believe he was telling the truth there as well. In fact, my own view is that in Munich in February 2007 President Putin was speaking from heart. And this expresses the sentiments of great many people in Russia.

So we saw Russia has become unprecedentedly very self-confident in itself – yes, in many respects very brutal and very defensive, and perhaps in many respects unfounded, but it's there – coupled with enormous resentment. That is not a good combination.

Let me put the changes I have mentioned in more formal terms. If you look at documents, speeches, all the rest of it, I think you are about to come to a conclusion that since the time President Putin was coming to power (from the time of this elevation as Secretary of the Russian Federation's Security Council, Prime Minister, Acting President, President up to the present time) there have been three (3) strategic reassessments inside Russian power inside and in the outside world:

- In April 1999 - it was based upon two things: our intervention in Kosovo, and the first round of NATO enlargement. A key conclusion, a key motif that came out afterwards was Russian pragmatism: we must operate, as Putin put it, coming out of strict promotion of Russian national interests. The second thing, which came out of this, was emphasis, put in Russia's Foreign Policy Concept in 2000, that foreign policy must be consistent with the actual capacities and resources of the country. In general, the whole tone and policy of Russia became more aggressive, cold, and tough.

- After the events of September 11, 2001 – that was the briefest assessments of all, but produced the greatest disappointments. It produced the illusion of a new partnership. I remember the first Black Sea Forum here at Harvard after that, and General Baluyevsky, the then Deputy Chief of Russian General Staff said: we are speaking about partnership in this context, we need to speak about Alliance. The perception in Russia was, thanks to 911, we have a "huge sea change". And of course in Washington the sea change was seen in terms of the greatest apprehension. In Moscow, in Kremlin, it was seen as an opportunity. Why? Because suddenly the West needed Russia, needed Russian support, e.g. in sending forces to Afghanistan. In Russia's point of view, the West now has to accept much of Russia's own agenda on terrorism and the legitimacy of it, and the Western pressure on the North Caucasus has to be put off. It assumed that the West would now have to agree on the necessary format of such a global partnership, which would mean a long-lasting recognition of our special interests in the former Soviet Union. We didn't see it because it was convenient for us not to see it. And, because we did so, let me stress this point, the colored revolutions were regarded by Russia as our betrayal.

- From 2003 till roughly the present time – it is based upon a perception of new threats but also of new opportunities. The new threats are the 'colored rev-
olutions' and their potential internal residencies in Russia, the perceived determinations of the U.S. to define the UN, and do what it considers to be right, and in its interests (irrespective of what other peoples' interests are). The war in Iraq, of course, in Russian eyes is a classic example of this. The new opportunities are very obvious. One, I already mentioned, is energy. The other is the fact that in some of these domains the principal Western powers (certainly the U.S. and leading NATO member-countries) have made profound strategic miscalculations. As a consequence, the U.S. has found itself on the fringes, at the limits, of its usable power. That's an enormous opportunity, because it means the U.S. and many of its principal allies simply no longer have the ability to focus on affairs inside the BSR and inside the former Soviet Union as it did before. I assure you, entities like mine and others, focusing on Russia, Ukraine, Black Sea, Eurasia, since 2001 came under great oppression: what is your role, relevance etc.? This is happening in every single domain throughout NATO countries. I am not telling you a secret, but the Russians could see it very, very clearly.

So three strategic reassessments in Russia. How many of those have we had in the West? Just one: 911. Do we need more? I don't need to answer this question. What has also happened as a result of all this, is that all the sides started to protect even more firmly their own perceptions and values. Reviving a state in Russia has an intrinsic legitimacy in Russia. President Putin and his supporters have also tried to do something else, which is to synthesise pre-soviet, Soviet, and post-Soviet values, and distinguish them from the West. In my view, the result of that was a restoration of ideology called 'sovereign democracy'. It has some international benefits, because it establishes informally some kind of international states that refuse to accept the premises of market oriented, liberal and democratic globalization. We have had great difficulty in the West because we believed that not only in Russia, but in China and many other parts of the world we see the emergence of states that are capitalist, prosperous, radically liberal, that have their own values and traditions, and don't need ours. We don't like hearing that.

Regarding particularly the BSR, over the past 18 months, the 'Putin paradigm' (as I like to call it) has been unraveling in Russia. This restoration of the state is always rested upon a fusion between property and state power under conditions of the 'money economy'. I do not wish to call it a market economy. Money economy is more accurate. When Boris Berezovskiy left Russia, he said: in 1990s, five more or less independent bankers controlled 50% of Russia's GDP. In 2006, six Kremlin officials chaired companies that controlled one third of Russia's GDP. When you have billionaires in the Kremlin, billionaires who know what they are doing in political and financial terms, people who control licencing authorities, who control instruments of surveillance, intelligence, and security, who control banks, who have insider information (I am sure many of you know the expression, which is alien to Western business culture: 'finansovaya informatsionnaya bor'ba' (financial informational struggle), you are not talking about subordi-
nates, you are talking about phenomenally serious people. It takes a president, as strong, as respective, as skillful, and as harsh as Putin to keep all of these people in line. Because these people don’t just have collective interests, they have their own. And as it became clear, Putin realised that he faced not only rivalry, but what Victor Cherkessov, Head of The Federal Service for Combating Illegal Trade and Counter-narcotics, last October called ‘mezhdusobitsa’ (internecine war). It is he who has drawn the comparison with the environment of the 1930s, where the war took place between different security and intelligence services inside Russia.

After Dmitry Medvedev was elected as a president, we have been looking at a weak presidency and a constitutional mess. We don’t know what is going to happen, but one thing would be very right to assume, the real struggle for power in Russia is going to be carried on for a number of months. If that’s right, we have to ask some very hard questions:

- If the struggle for power is going to be the principal internal reality in Russia (and this is my first question), who is going to be thinking about Russian foreign policy in a careful, long-term strategic way? And who is going to be listening to them? It does not seem a great opportunity for people to be doing that.

- If today Russians say that Russia is once again defining a self-isolating course for itself in international affairs, in this environment what’s going to be corrected to that? This refers to what President Purin said in 2006, Russia has earned its right to be self-interested. Basically, it means we have our own interests, and others can take it or leave it. So the real problem with Russia, certainly from the UK’s perspective, is that they don’t care what we think, and they don’t have a lot of respect for us either.

- What is the potential of this rivalry for Russia’s neighbors? We could only see some of this during the latest Russia-Ukraine gas crisis in February and March 2008. What should be an issue about national interests and about economies? As both in Ukraine and Russia it is a projection of internal political struggle. On the part of Russia, it tends to intervene into and influence the internal political struggle in Ukraine regarding energy, and how the energy sector will ultimately be functioning. Are we going to see more of that? The question I am raising is this. Are we going back to the period of ‘mno-gogolosie’ (multivoicedness) in Russian foreign policy? But now in conditions where Russia is not weak but strong, and where this discordance affects not only immediate neighbors but starts to affect a much wider region, and a much larger group of states as well.

My last point is about Bucharest Summit of NATO. I’ve just come back from there, and I’d like to share with you some views on that. All of these concerns, and it was quite unpredictable, I think on the last day, in a day when NATO was at its best, when all the powers came down and people were speaking from the heart and openly to one another, and any notion of hierarchy amongst NATO allies and partners seemed to disappear. All of this forced the Alliance to reiterate its certain principles, and we were very shy of reiterating them. A basic principle is this. Relations between NATO and the countries of the former Soviet Union are the business of those countries, and the business of NATO, and not the business of Russia. This is one of the reasons why NATO said: Ukraine and Georgia will be members of NATO, and why in the press-conferences surrounding it, the point I’ve just made was more or less made clear by a number of allies, including Chancellor Merkel.

Secondly, if you look both at Bucharest and at Sochi, what you could see is a lot of attention now being paid to NATO-Russia cooperation, but it’s rather different from what it was before. And it’s clear. It’s been expanded at one level, and it’s about very important things: non-proliferation, missile defense, transit of armed forces to Afghanistan. They are all military security issues. They are all very important, but they are all very abstract and bloodless. What you don’t see being discussed with Russia anymore, is the future of NATO. The future of NATO is increasingly no longer becoming a subject of Russia and NATO discussion. I would also suggest that one of the outcomes of these two summits is that Russia is loosing its ability to influence the future of NATO, and Russia has put itself in that position.

So whether or not a new Russian leadership (when it does come together) will take tough decisions regarding these developments is a real question, and something we cannot foresee today.

April 2008, Harvard
18 years ago, some former Soviet bloc countries took the opportunity to join Western security and economic structures. This national choice varied in degrees of effectiveness. In this presentation, I shall attempt to answer the following questions:

- Where are these countries now?
- How far are they advanced in their aspirations to join the institutional West?
- How far has the institutional West advanced to comprehend its own strategic interests and its historic window of opportunity in this region?
- What is the current state of affairs regarding the Black Sea Region’s (BSR) potential to become a transit route of vital energy supplies from the Greater Middle East and the Caspian basin to Europe?

The following are three themes that I propose to touch upon:

1. NATO.
2. Energy security.
3. The unresolved protracted conflicts that constitute a Russian holding action to prevent countries in this region from becoming attractive partners to the West dissuading the West from further involvement in the region.

The Bucharest NATO summit

The net result of the summit - on the issue of giving to Georgia and Ukraine the Membership Action Plans (MAPs) - is, in my view, a major success. However, that success was retrieved from the jaws of defeat at a final possible moment. Defeat would have been marked if NATO decided to bind itself to the German de-facto veto against the two MAPs, which was also supported by few other NATO member countries from Western Europe. It almost reached defeat.

For the first time since its inception, NATO came to the Bucharest Summit as a divided organization. A group of countries from Western Europe, under German leadership, was determined to prevent the adoption of the two MAPs. Within this group of countries, Germany played (by far) the most active role.

I was a participant in a number of pre-summit conferences organized to set the agenda and work out arguments regarding Georgia and Ukraine’s MAPs. In this context, I witnessed an unprecedented effort by German representatives to supply long lists of mostly irrelevant arguments against the two MAPs. The Germans went out of their way to play that role. One could say that within NATO, Germany singled itself out.

Opposition to the MAPs on the part of other West European countries was soft and changeable. If Germany had changed its position, the others would have followed. However, Germany did not change its position. Within the German coalition government, the role of main opponent to Georgia and Ukraine’s MAPs passed from the Christian Democratic Party to Chancellor Angela Merkel personally. Putin stated that Angela Merkel and the Christian Democrats in government got ahead of Foreign Minister Steinmeier. Steinmeier was the main locomotive to former Chancellor Schroeder’s policy of close rela-
tions with Russia. Now, Angela Merkel and the Christian Democrats were more active and more energetic in this regard.

On 8 March, we saw the moment when Chancellor Merkel came to Moscow two days after the NATO Ministerial in Brussels. In Moscow, Merkel, Gerhard Schroeder and President Putin appeared in a joint news conference and came out against the two MAPs. It is too early to say whether this was an aberration, or the harbinger of a trend. The German Foreign Minister was far more professional and diplomatic in this regard. Steinmeier did not expose Germany to this extent. The most senior member of German's Christian Democratic Party in the Bundestag's Foreign Policy Commission said (at one of the conferences) that not a single member of the Bundestag's Foreign Policy Commission, not even one supports the MAPs.

I think it was James Sherr who stated earlier that the Germans were not at all sensitive to the obvious analogy that when it was taken into NATO, Germany was the seat of a 45-year-old frozen conflict. Germany was divided, part of it was occupied by Russian troops, Berlin was divided and the situation threatened to explode into a shooting war. Therefore, Germany was actually in the theater of the biggest, enormous frozen conflicts of all. Nevertheless, NATO took Germany in. Chancellor Merkel, who grew up in the zone of Soviet occupation, ultimately became the Chancellor of Germany but was insensitive to these arguments before the Summit. She maintained her selected position.

For the first time in NATO's history, a large group of at least 9-10 countries (mostly Central and Eastern European) emerged within NATO as a very powerful and influential group. In Bucharest, it acted in a cohesive, purposeful manner and finally managed to promote a decision, the communique, which is very much in favor of Georgia and Ukraine. NATO was divided and for the first time, the new Central and Eastern European members of NATO there were a strong, influential and ultimately successful group.

It is difficult to say if this division is indicative of future debilitating controversies inside NATO or of the ability of the strategically minded, new member states in the Eastern part of the continent to promote necessary decisions within NATO; pulling their strength together with that of the U.S. It is a mixed result, but ultimately, the formulation of Article 23 of the communique, which recommends, unconditionally, the right of Georgia and Ukraine to become members of NATO - even in the absence of MAP is a success.

However, the communique also contains minuses. They are matters of concern for the countries in the Black Sea Region. Unlike the Istanbul communique of 2004 and the Riga communiqué of 2006, the Bucharest summit no longer outlines NATO prospects and visions regarding the BSR. Similarly, there is a very short paragraph about the so-called frozen conflicts. The demand for the withdrawal of Russian troops from Moldova and Georgia present in both the 2004 Istanbul and 2006 Riga Summit communiques is no longer present in the 2008 Bucharest communiqué.

Furthermore, the Bucharest communiqué no longer mentions the close linkage between the ratification of the Conventional Forces in Europe Treaty (CFE Treaty) and Russia's fulfillment of the Istanbul commitments. This time, it is no longer mentioned, neither is the problem of unaccounted for hardware and equipment in the contexts of verification and implementation of the CFE Treaty, and its ratification by the parties.

One and a half year ago, at the Riga summit, NATO discussed the possibility of becoming a player in energy policy quite seriously. Following a proposal by U.S. Senator Richard Lugar, NATO considered the possibility of including energy security as a matter that falls under Article 5 of the NATO Treaty. The possibility of invoking Article 5, in the event that one or more NATO member countries were exposed to threats of the cutoff in the energy supplies or subjected to the cutoffs in energy supplies for political reasons by an unnamed country (which is of course Russia), would guarantee the energy security of NATO member countries.

Given the spectrum of asymmetrical threats confronted by NATO, the notion of extending the reach of Article 5 to include cases of aggression that do not necessarily involve military attack, but involve an energy attack was already considered at the Riga summit. One result of Russia's April 2007 cyber attack on NATO member country Estonia was the idea of extending the reach of Article 5 to include cyber attacks. In Bucharest, the discussions regarding the application of Article 5 to both cyber attacks and energy security were inconclusive. The discussions continue, but, as of yet, Senator Lugar's proposals have not been taken up.

Proponents of extending the applicability of Article 5 to energy and cyber attacks argue such attacks can be more destructive to a nation, its economy and infrastructure than a conventional military attack. A massive cyber
attack can disable the government and the society from functioning in one stroke. An energy attack can inflict greater economic losses on a nation than a bombing raid or other form of conventional military attack.

The proponents argue that NATO could display solidarity against the aggressor in two ways: politically and with respect to energy. First, NATO is the only existing mechanism for trans-Atlantic consultation and decision-making. There is no other such mechanism. Therefore, energy and cyber security of NATO member countries are rather matters of consultation on possible measures within a NATO context. Second, NATO does administer its own network of energy pipelines in Europe. Those pipelines could be used in the event that a member country or group of countries is targeted with supply cutoffs or the threat thereof. In emergencies, those pipelines can be used to allocate supplies to a threatened country, to enable the threatened country (or group of countries) to continue to function economically without having to give in to threats or to energy blackmail for political reasons.

No doubt these discussions were continued, however the momentum toward possible decisions is slow. The Bucharest Summit demonstrated how slow this momentum is. The positive achievement is that the ideas are on the table.

2. This leads directly to the next theme of this presentation: energy security. For obvious geographical reasons the wider BSR is a predestined transit corridor for energy supplies (oil and gas) from the Caspian basin and part of the greater Middle East to Europe directly, bypassing Russian control. The last year or so witnessed a number of painful setbacks to this policy in this region. The following is a list of setbacks that have occurred in the last year or so.

First, the upstream should be considered. In Central Asia, Gazprom has concluded (at President Putin’s personal guidance and with his personal participation) agreements on expanding the capacity of gas pipelines leading from Central Asia to Russia. This enables Russia to control the volumes of gas destined for European consumer countries - members of the EU. The pipeline capacity is expanding.

Second, Russia is increasing its already overwhelming share of Kazakhstani oil being exported to international markets via Russia.

Third, several NATO and EU member countries in the region, such as Bulgaria, Greece, Hungary and Austria, have concluded agreements with Gazprom and with Transneft regarding the construction of pipelines and storages for oil and gas. For the first time ever, we are witnessing the appearance of Russian state controlled energy infrastructure on the territories of EU and NATO member countries. On the territories of these EU and NATO member countries, these constructions will be under the control of Russian state companies. This is happening precisely in the BSR, and in countries immediately adjacent to BSR countries. In this way, having monopolized the intake of Caspian oil and gas upstream, Russian state companies are also expanding and in some cases monopolizing the infrastructure downstream in consumer countries.

In the BSR, the main Russian energy export project is the South Stream Pipeline. It would originate in Russia’s Krasnodar Krai on the Russian Black Sea coast, span almost the entire 900 km length of the Black Sea, to Bulgaria. From Bulgaria, it branches out into two directions: one southeastern, heading via Greece and via the Adriatic Sea to Italy, and the northwestern direction, heading from Bulgaria via Serbia and Hungary to Vienna. From there, gas could be further distributed in central parts of Central and Western Europe.

The South Stream is a direct competitor of the Nabucco Pipeline, the EU’s top priority energy project. Nabucco, was originally designed to bring Iranian gas but for familiar reasons this became impossible. Nabucco is now without gas. It is looking for gas in Central Asia but Central-Asian gas has been largely preempted by Russia (at least from existing fields, not yet from the perspective fields). Nabucco is looking for gas in Azerbaijan, which however cannot possibly supply at one or the same time all the projects that rely on

**FACULTY BIOGRAPHIES**

**Vladimir SOCOR**

is a Senior Analyst at The Jamestown Foundation. He formerly was a senior research analyst with Radio Free Europe/Radio Liberty in Munich, and prior to that a professor of history and political science. He currently writes for The Jamestown Foundation from Munich. His concentration entails the non-Russian former republics of the USSR, CIS affairs and ethnic conflicts.
Azerbaijani gas. Furthermore, Nabucco is looking for gas in far off shoots, difficult to access, turbulent regions such as Iraq (north and/or south) and excessively distant areas such as Egypt. This would tremendously increase the cost of gas coming to Nabucco.

By contrast, South Stream has been able to line up gas volumes from Central Asia that Russia is taking in, and has been able to preempt markets and storages downstream through the aforementioned agreements between Gazprom in the countries in the Balkans and Central Europe. These projects are competing, but the competition is unfair because one has gas and the other one is looking for gas.

South Stream is the twin brother of the Nord Stream. The Russian pipeline project is envisaged to originate on the Russian Baltic coast, close the Baltic seabed. It is to hit land in Germany and supply mainly Germany with gas from Russia. Furthermore, hypothetically, it is to branch off into other directions in West-European countries west of Germany, potentially Belgium or Netherlands.

In addition to the Nord and South Streams, Russia has built the pipeline known as Blue Stream on the seabed of the Black Sea. It leads from the Russian Black Sea coast to supply Turkey. At only 4 billion cubic meters per year, it operates at only a fraction of its capacity.

At Russia’s disposal, of course, is the Ukrainian transit pipeline system. Its enormous capacity thus far handles 80% of Russia’s overall gas exports to Europe. Additionally, the Yamal-1 pipeline originates on the Yamal Peninsula and continues to Belarus, Poland and Western Europe. This pipeline is also controlled by Russia.

Why is Russia building all this enormous pipeline capacity? Given the shortfalls and crunch, many experts anticipate for Russia after 2010, it is clear that it has no way of filling all the pipelines with gas at anything near the designed capacity. The Russian strategy is a deliberate construction of overcapacity, of surplus capacity of pipelines at enormous cost to Russia itself, and to Gazprom. Whereas the EU is to cover a part of its costs, the main cost will be carried by the Russian state and Gazprom.

Why is this activity of constructing enormous surplus pipeline capacity taking place mainly in the BSR? This reflects Russian political decisions, and the close connection between Russian energy policy and foreign policy strategy in Europe. The goals behind this strategy are presented below.

First, aware of the coming gas crunch, Moscow hopes to be able to administer these pipelines and the commodity in short supply. It hopes to be in a position to decide which group of European countries (or which country at the end of the various pipelines) will receive Russian gas and to what extent. Those will be political decisions. The Russian pipeline policy is designed to encourage competition among European countries at the end of the various pipelines. Therefore, one goal is to cause competition between European states for the increasingly scarce resource of Russian gas.

Next goal: again anticipating the coming gas crunch in Russia itself, Russia is taking a counter measure by organizing a cartel of gas exporters popularly known as OPEC for gas. The cartel for gas will not function as OPEC for oil. It will function in different ways. Nonetheless, it will function as a cartel. Gas moves mainly by single-destination pipelines. Each pipeline creates (at its end) the regional, sub-regional, or national gas market, or multiplicity of markets. Each is connected to the end of a particular pipeline. The cartel of gas exporters would function by apportioning various regional and subregional markets to member countries of a cartel, organized under Russian leadership. Within this cartel, Russia remains the single largest supplier, and it will control access through pipelines. Therefore, even Russian gas will be sufficient in volume to dictate prices in Europe. Russia will still be dominant in gas markets by channeling supplies from countries other than Russia via Russian-controlled pipelines to European countries. The purpose of the cartel is to apportion the various sub-regional markets among cartel members, who will in turn depend on Russian pipelines, if these pipelines will be built.

The third reason for building this multiplicity of pipelines with huge surplus capacity is to create vested-interest groups in European consumer countries that grow and coalesce around the Russia-Europe in energy trade. This may easily materialize (and in some cases it is already becoming) political lobbies in favor of this or that Russian policy.

These are the three basic reasons why Russia is building this huge surplus pipeline capacity.

In the BSR, the country most directly affected is Ukraine. Turkey is also very much affected, but to a lesser degree. The South Stream pipeline is designed to bypass both Ukraine and Turkey. Initially Russia was trying to export Russian gas through Turkey. That was
the purpose of the Blue Stream pipeline which runs from the Russian to the Turkish coast of the Black Sea through the Black Sea seabed. Annually, the Blue Stream is only operating with 4 billion cubic meters of gas (rather than its designed capacity of 16 billion cubic meters per annum). In the period 2001-02 there was an idea to prolong Blue Stream from Turkey via the Balkans into the heart of Central Europe. To some extent, that would have made Russian export dependent on Turkish transit just as it is currently dependent on Ukrainian transit. The purpose of South Stream is to bypass both Ukraine and Turkey.

If this pipeline becomes operational, Ukraine would lose a huge portion of the Russian gas transit currently going to Ukraine westward. In turn, this would diminish Ukraine's already limited counter-leverage on Russia and its transit revenue. This would make it very difficult for Naftogaz Ukrainy to make a profit. Most likely, it would push Naftogaz Ukrainy into bankruptcy. It would disable Naftogaz Ukrainy from investing in necessary modernizations of the gas transport system, setting the stage for Gazprom to takeover, in one form or another, in shared control with Ukraine of the Ukrainian transit pipeline system. On the same token, Turkey will no longer receive the gas, or the gas revenue, from transit it had counted on had the Blue Stream been prolonged from the Black Sea overland for Anatolia and further west to the Balkans and Central Europe.

Ukraine and Romania, two Black Sea countries, can hold the South Stream project. It is possible for them to hold it, just as the three Baltic States (Estonia, Latvia, Lithuania) along with Sweden and Poland are holding the Nord Stream pipeline in the Baltic Sea.

The situation with the two projects is similar in the following respect. The proposed routes for these pipelines traverse the Exclusive Economic Zones (EEZ) of Black Sea and the Baltic Sea littoral states. This gives those states a right to ask a great many questions about the purposes of these pipelines, about the ecological impact, about the effects on navigation safety and about possible military security implications. The littoral countries are entitled, by international law, to ask many questions, and request modifications of the route.

This is what Estonia, Finland, Lithuania and Sweden, and Poland have already done in the Baltic Sea. The result is that Nord Stream has been on hold for about one year. Although this is not the only reason it has not moved at all for one year, it is a major one.

In the Black Sea, there are no neutral waters between Turkish waters and Romanian-Ukrainian waters. There is a dividing line in the middle of the sea between the EEZs. Russia could have chosen to propose to build the South Stream pipeline in the Turkish EEZ, but it has not done so. Rather, to reach Bulgaria, it proposes to build through the Ukrainian EEZ and through a small part of the Romanian EEZ. Therefore Ukraine, in the first place, but also Romania (in its small area) could ask many questions. They could request modifications of the route and halt the project. The word 'halt' has been chosen very carefully. Littoral countries do not have a right to veto such projects if the project crosses the EEZ. However, they could possibly halt it for a long time. Halting is the operational term. Russian plans for the South Stream project are very sensitive to a possible halt as is seen from Russian press coverage and other discussions.

Besides halting this project, the main strategic goal is to open direct access to Caspian oil and gas for Europe via the BSR. In this regard, the EU is very late and very slow in this game. It was not very long at all ago that (for the first time in many years), the high level European delegation, headed by External Relations Commissioner Benita Ferrero-Waldner, travelled to Kazakhstan and Turkmenistan. An agreement in principle (nothing binding, nothing precise), was concluded for the first time. It was an agreement of intent with Turkmenistan to export 10 billion cubic meters of gas annually through Nabucco at some unspecified future time. Quantitatively, 10 billion cubic meters is very little. However, this agreement is not binding, there are no obligations, and above all there is no way (yet) for Turkmen gas to connect with the Nabucco pipeline in Turkey.

The idea, of course, is the Trans-Caspian pipeline, which everybody talks about for the last ten years. It is not yet in sight. However, at least the EU has made this long overdue step. Now, the challenge for the EU is to offer Turkmenistan in the first place, but to some extent also to Kazakhstan, Turkmenistan, and Uzbekistan, two things: commercial supply contracts and the consortium with funding that would build the Trans-Caspian pipeline.

The officially declared policy of Central Asian countries is to sell the gas at the border. Thus far, at the border, there has been no consortium with financing to build pipeline, and no supply contracts from consumer countries. If the EU comes up at the Turkmen
border with these two offers, then the EU together with the transit countries of the BSR will be in business. Otherwise, nobody will be in the business.

3. The third and final theme of this presentation is unresolved frozen conflicts.

In view of the Russian government's recent decisions on Abkhazia and South Ossetia, the moment to discuss this is particularly appropriate. The most important decision is President Putin's decree of April 16, which instructs the Russian government ministries and other government agencies to establish direct relations with corresponding bodies in Abkhazia and South Ossetia.

This move crowns a series of recent Russian steps, which began a few years ago and initiated the process of clipping annexation of Abkhazia and South Ossetia into Russia. The clipping annexation has become an accepted term since 2001-02, i.e. from the beginning of Putin's presidency. Elements of clipping annexation include various tactics. It involves the mass handover of Russian citizenship to residents of Abkhazia and South Ossetia. This transfer of citizenship is not recognized by any international authority. It violates international law. It also violates Russia's own citizenship law, which entails residency requirements in Russia for the acquisition of Russian citizenship, which (for the most part) the residents of Abkhazia and South Ossetia do not meet. The massive handover of Russian citizenship, acquisition of property locally by Russian state and non-state entities, appointment of individuals designated by Russian power structures in the leadership bodies of Abkhazia and South Ossetia, the opening of railroad and other types of communications directly from Russia to Abkhazia and South Ossetia without reference of the sovereign Georgian government. Moving the border de-facto on the ground in the Abkhazia and South Ossetia's sector of the Georgia-Russia border, moving the border southward with Russian control on both sides of this recognized border, unauthorized weapons' deliveries. These, and many other elements, are the components of the clipping annexation.

Now the annexation is no longer so clipping, and it is not officially but semi-officially over. Putin's decree of April 16, instructs Russian ministries and other bodies of governmental to establish direct relations with corresponding Abkhaz and South Ossetian bodies. It treats residents of Abkhazia and South Ossetia as Russian citizens and Russia is set to protect their rights. It recognizes the validity of acts issued by Abkhaz and South Ossetian bodies, refers to them as governments, refers the leaders of Abkhazia and South Ossetia as presidents, and envisages further projects of economic and social, and commercial infrastructure nature on the two territories.

Furthermore, these economic and infrastructure projects almost certainly relate to the upcoming Winter Olympic Games in Sochi. Sochi is just across the Abkhaz sector of Russia-Georgia border. Russia already intends to use Abkhazia as a staging area for construction operations in Sochi. It is also quite possible it plans to have a Russian workforce is Abkhazia building the necessary infrastructure for the Sochi Olympic Games.

Prior to the April 16 Decree, Russian officials, including Russian Foreign Minister Sergey Lavrov and the Chief of the General Staff of the Armed Forces Yuriy Baluyevsky, warned Russia would take unspecified measures against Georgia in the context of the NATO MAP debate. That was Putin's second shot, whether there will be a third shot remains unknown.

The emergence in NATO of the argument that a country with unresolved conflicts cannot be admitted to a MAP turned out to be a dangerous argument. It might encourage Russia to stir up trouble in Crimea in order to stop the Ukrainian MAP from being adopted in the near future.

Thus far, international reactions to these Russian moves ranges between weak and silent. The only international leader and organization, which has reacted more or less appropriately (or at least commensurately) was NATO through its Secretary General Jaap de Hoop Scheffer. On 17 April, he issued a statement that was far more openly critical of the Russian moves than anything that EU or the OSCE have issued to date. In this regard, de Hoop Scheffer stands out.

In Karabakh, there is a complete deadlock in negotiations. Russia uses the Karabakh issue to discourage Azerbaijan from joining Georgia and Ukraine in seeking a MAP with NATO. One major reason why Azerbaijan does not do this is out of concern for an impact such a move would have on the Russian position in the Armenia-Azerbaijan conflict over Karabakh.

In Moldova, President Vladimir Voronin recently stated all his hopes to settle the Transnistrian con-
conflict lie with the Russian leadership. To his credit, Voronin has made proposals that do not offer any major national interest concessions to Russia. The proposals themselves remain consistent with Moldovan sovereignty and national interests. However, in the hope of inducing the Kremlin to accept the Moldovan proposal for the political settlement in Transdniestria, Moldova has made many concessions on other fronts to Russia.

In the first place, the issue of peacekeeping continues to haunt these countries. It also haunts the international organizations. Russian peacekeeping is illegal in Abkhazia and South Ossetia, and Transdniestria. There is no valid international mandate. Moreover, the Russian peacekeeping monopoly in these areas contravenes all international standards, including UN standards, on peacekeeping. This notwithstanding, there has been no Western response to this situation.

The current state of play with regard to the issue of peacekeeping is more discouraging now than it was a few years ago. The 2002 NATO-Russia summit and the U.S.-Russia summit of May of that same year produced two communiques. They envisaged joint efforts by NATO and Russia, and by the U.S. and Russia, toward negotiating and resolving these conflicts as well as joint action (NATO-Russia and the U.S.-Russia) with regard to peacekeeping formats. Moreover, in the two communiques NATO and the U.S. were listed ahead of Russia. So at least there was parity between Russia and the West in the intent of those two communiques. That was May 2002. Only a few months later, the U.S. became increasingly preoccupied with invading Iraq. From the summer of 2002 onward, the U.S. priority became closely linked to Iraq and to U.S.-Russia relations in that context. Therefore, the intent outlined in 2002 became a dead matter. NATO no longer takes issue of the Russian peacekeeping monopoly in former Soviet countries.

Where do should we go from here? What are the prospects for the coming year or so? It is difficult to venture prospects beyond one year because we face leadership transitions in Washington and Moscow. We can only try to project the trend within a one-year period. What is likely to happen?

First, on the issue of NATO enlargement, to resolve positively the issue of the MAPs for Georgia and Ukraine, there is a strong chance the NATO summit will be held on French and German territory in May 2009. The formulation in Article 23 of the NATO Bucharest summit communique is very encouraging. It will be very difficult for Germany again to go all out against a NATO consensus on this issue. Germany exercises a Russian veto; a veto through German hands within NATO. Germany has spent a lot of political capital in NATO to accommodate Russia. If that situation recurs, Germany will open itself to opposition. Politically, Germany cannot afford that, certainly not when it is a co-host, along with France, of the NATO summit in April 2009.

Moreover, the group of countries led by the U.S. which unexpectedly mastered a critical mass in Bucharest, has already demonstrated its skills. It is likely they will arrive with that critical mass already formed and developed ahead of the NATO Summit in April 2009.

A NATO Ministerial level will assess the MAP applications of Georgia and Ukraine in December 2008. According to the communique, December 2008 will be the first opportunity for NATO to assess the merits of the two MAP applications. The second Ministerial, just ahead of the summit in April 2009, will be the second opportunity. The April 2009 NATO summit will be the third opportunity. It would be very difficult for Germany to act in the same way again. Therefore, the positions of other West-European countries would become soft and disintegrate in the absence of strong German leadership. In this regard, the outlook is positive, provided of course that Ukraine and Georgia do their homework. That is a question mark in Ukraine, and a much smaller one in Georgia.

The second point concerns energy. If projects such as Nabucco, supported in declaratory manner by the EU, continue to be short of gas supplies upstream, then Russia will proceed with its own projects, monopolizing the Central Asian upstream. It will represent a threat to European energy security. Furthermore, it will enable Russia to aggregate Central Asian resources with its own resources. It will be a single pool, administered by Russian control to influence prices and, by the very monopolization of transit from Central Asia, to deprive Western and Central Europe of those alternative resources.

EU energy policy is in bad shape. It is trying to develop internal dimensions of that policy in Western Europe, but it completely lacks an external dimension focused on the Caspian basin. This is not likely to change in the near future, certainly not within the one-year timeframe within which we are trying to project trends.
Third, and finally, with regard to resolving, rather than handling and managing the unresolved protracted conflicts. Russia seems to be in full control of managing the conflicts on the ground in Abkhazia and South Ossetia. It is illusory to believe that Russia cannot to go too far in the South Caucasus out of concern for the territorial integrity principle and the fact that it faces similar threats in the North Caucasus. Although common, this thinking is illusory.

It is illusory, in my view, because first, Russia has the situation in the North Caucasus under control. Second, Russia has no complexes about using the kind of methods applied in the North Caucasus, methods that other European countries, including Georgia, would not use on its own territory. Russia has far freer hand in that regard.

There is one historical analogy applicable for Georgia and Moldova. These countries could take a leaf from the German book of the Cold War. Many remember Germany was a divided country. It could have obtained its unification with Soviet accord had Germany acquiesced to become permanently neutral. This Soviet offer was officially on the table for a long time and on some occasions, unofficially. This Soviet offer was on the table for decades. Germany could be reunified if it became permanently neutral. Germany did not take that offer and NATO allies supported it in that regard. Finally, 45 years after Germany's division, the hour of opportunity for Germany's reunification came.

Georgia might look at the German example in that regard. The West German model became highly attractive to its East German brothers during the Cold War (thanks to Germany's success as a state and as an economy). Georgia now has the opportunity to offer the populations of Abkhazia and South Ossetia the prospect of joining Europe through Georgia. In fact, this may be a reason the Kremlin moved forward with the Putin decrees. They tie the Abkhaz and South Ossetian populations and leaderships to Russia, before Georgia becomes a magnet of attraction for Abkhazia and South Ossetia in economic terms.

The time, of course, is not lost. Georgia's success as a nation state project and as a candidate for European integration could become the magnet by which the Abkhaz and the South Ossetians are attracted to the European direction. Russia's involvement in the frozen conflicts is a holding action to stop the European integration of Moldova and Georgia. The EU has never become a full-fledged actor in the political negotiations toward resolution of these conflicts. However, the EU is increasingly present on the ground with European soft power, e.g. economic projects, the spread of the rule of law, and the instruments of the European neighborhood policy. Although inadequate they are, for the time being, developing and used with increased success by the EU.

The U.S., absorbed and fixated by the current situations in Iraq, Afghanistan, Iran and other areas, has disengaged itself to some extent from efforts to resolve these conflicts. It has yielded the lead role to the EU. This is not necessarily a negative development. EU's soft power could succeed where U.S. and NATO hard power were never tried.

In the aftermath of the declaration of Kosovo's independence and international recognition (an ongoing process), I conclude by drawing a parallel between the unresolved conflicts in former Soviet-ruled territories and the now resolved conflict in Kosovo. There is a parallel. However, it is not a parallel Russian diplomacy is trying to draw in a legal sense between the declaration of independence on one side and recognition on the other. The real parallel is a political one. It has to do with the ways these conflicts are solved. Kosovo was resolved through the actions of the EU, NATO, the U.S., other international organizations and actors present on the ground; defining the political turf of conflict resolution; reversing the ethnic cleansing (which is a centerpiece of the conflict resolution) and often through accepting by all sides involved, including the Serb, in the state of Serbia, of the European perspective.

This shows the way to approach conflict resolution in post-Soviet territories. If this does not happen, if the model establishing the Balkans is not extended - short of use of force in post-Soviet territories - then we will have a division of spheres of influence in Europe on either side of the line. On one side of the line, the EU, U.S., NATO are in charge, ethnic cleansing reversed, European perspective offered to all. On the other side of the line, the Russian peacekeeping monopoly and ethnic cleansing are likely to stand, denying any close European perspective to all sides involved. These are the ingredients of the division of the spheres of influence. The day the EU alongside the U.S. realize what is involved, will be the day to hope the solution of the frozen conflicts in the post-Soviet territory will follow short of use of force - as in the Balkans.

April 2008, Harvard
Russia's invasion of Georgia this past August and the continued occupation of the Georgian territories are specific circumstances that define the context of the conference today as well as this presentation on energy. Addressing energy security in Armenia, South Caucasus country that in contrast to its neighbors Georgia and Azerbaijan is not part of any energy projects, is somewhat ironic. There are reasons for Armenia's absence from regional energy projects. This is an issue that preoccupies the Armenian government very much. It also preoccupies the Armenian Diaspora in the United States albeit in a slightly different manner. This subject will also be addressed below.

In terms of energy security, the August war between Russia-Georgia has become, in some respects, a wake-up call for Europe similar to the January 2006 Russia-Ukraine gas crisis. There have now been two wake-up calls: January 2006 and August 2008. As it turned out, the first wake-up call resounded more in the editorial pages of newspapers than in policymaking offices in Europe and even the United States. These circumstances may substantially affect the safety and credibility of the South Caucasus energy transit corridor; from the Caspian basin to European consumer countries. Whether or not the impact of the August 2008 wake-up call will materialize more convincingly, remains to be seen.

The only indisputable fact is that the Black Sea-Caspian Region is on its way to becoming an Eldorado in terms of energy transit. The volumes of energy being transported through the Black Sea Region (BSR) already rival the volumes of energy in the Nord Stream. While the latter decline, the former increase.

The geopolitics and geostrategy of the BSR do not entirely coincide with the region's geography. In a geoeconomic sense, the Black Sea and the Caspian Sea form an indivisible unit. Azerbaijan's main outlets for its oil and gas exports run through the Black Sea. For the same reason, Georgia is the main outlet for the export of Caspian energy. Therefore, functionally Azerbaijan is a Black Sea country, and Georgia is a Caspian country. This makes the Black Sea-Caspian region the true region of interest.

First oil and then gas will be discussed to give an overall picture of the volumes of energy already transiting or slated to transit the BSR.

Oil

Annually, the oil terminal in Russia's Black Sea port of Novorossiysk sends out approximately 50 million tons of oil. While a relatively small portion of it originates from Russia, most comes from Kazakhstan. The export terminal in Tuapse, Russia, sends out about 5 million tons of oil annually. There are two Ukrainian oil terminals, Odessa and Pivdennyi, with a combined capacity of approximately 20 million tons of oil per annum. The oil is, almost entirely, Russian.
Georgia's oil terminals on the Black Sea total a capacity of approximately 40 million tons of oil per annum. They are slated to increase. Supsa, with an annual approximate of 10 million tons is mainly used by Azerbaijan and BP. Batumi, with about 15 million tons of oil per annum, is slated to increase. It is used mainly by the Kazmunai State Oil Company of Kazakhstan and Chevron; using mainly oil form the Tengiz oil filed of Kazakhstan. Kulevi is used mainly by Azerbaijan and by the Azerbaijan State Oil Company and is slated to increase from its annual 10 million tons of oil. At 5 million tons of oil per annum, Poti exports oil products mainly rather than crude.

Most of these exports flow into the world market through the Bosporus. It is well known that the Bosporus is strained almost to its breaking point by all of the excess capacity of oil flowing through it. To alleviate the problem, two additional, Bosporus bypassing pipelines, are under consideration/incipient construction:

1) Burgas (Bulgaria) - Alexandropolis (Aegean coast of Greece) is planned to take oil from Novorossiysk, bypass the Bosporus, and reach the world markets through the Aegean Sea;
2) Samsun - Ceyhan (Turkey), to cross the Anatolian landmass, take oil from Novorossiysk and Ukrainian ports (but mainly from Novorossiysk) and reach the world's ocean at Ceyhan, Turkey's Mediterranean coast.

The significance of these pipelines, if ever built, would not be limited to the realm of transport safety, an important but not decisive consideration. The pipelines would alleviate traffic through the Bosporus simultaneously enabling Russia to increase its intake of the Kazakhstani oil via Novorossiysk. Alleviating traffic through the Bosporus is a limited value for these pipelines.

Gas

The potential for further growth of gas transit through the BSR is enormous. The existing Baku-Tbilisi-Erzurum pipeline, supplied from Azerbaijan's super giant Shahdeniz gas field off the Caspian coast, was developed by BP and Statoil Federal. Currently, approaching a capacity of 8 billion m³/annum, it is slated to increase in correlation with production expansion in Shahdeniz to 20-25 billion cubic meters.

The other existing pipeline is the so-called Turkey-Greece-Italy Interconnector. Already built, it will soon transport approximately 8 billion m³/annum. It will be transported mainly from Azerbaijan, through Turkey, Greece and onto Italy through the so-called Trans-Adriatic Pipeline (TAP).

The third existing and operating pipeline is the Blue Stream pipeline originating on Russia's Black Sea coast. It runs on the seabed of the Black Sea to Turkey. Initially operating at 4 billion m³/annum it is now increasing to 8 billion m³/annum. A follow up stage for a capacity of approximately 16 billion m³ of gas /annum is theoretically projected.

The existing pipelines are modest, compared to the projected ones. The projected (rival) pipelines, Nabucco and South Stream, each have a capacity of about 30 billion m³/annum.

Regarded as a top priority, energy security project, Nabucco is supported by the EU and the U.S. at the rhetorical level. It is to compete against Gazprom's South Stream, built in cooperation with Italy's state controlled corporation ENI. It would run from Russia's Black Sea coast across the Black Sea bed through to Bulgaria. To supply South East European and Central European countries, exiting Bulgaria it would ramify into several directions: southwards to Greece and Italy; and northwards to Serbia, Hungary, Austria and potentially Northern Italy and Germany.

In terms of energy volumes, this overall picture of volumes slated to transit through the BSR justifies the region being called a developing Eldorado.

The transport corridor that runs through the South Caucasus is the main outlet for Caspian Basin energy into the Black Sea, the European Union and in turn, the world markets. Therefore, it is important to ask how the war between Russia and Georgia affected it.

In the immediate aftermath of the Russia-Georgia war, business circles and many analysts believed the corridor had taken a severe blow. The blow was not so much a blow in the physical sense, but in terms of credibility, the perception of its level of safety, and in terms of attractiveness to investors. The initial perception was quickly proven wrong. Business confidence is actually returning to the South Caucasus transit corridor.

Significantly, in business terms, the first country to announce its continued confidence in this energy transport corridor was Kazakhstan. Kazakhstan announced its intention to increase the volume of oil transited from Kazakhstan oil fields, across the
Caspian Sea, through Azerbaijan to Georgia. From Georgia it is to split in two directions. First, is the Baku-Tbilisi-Ceyhan (BTC) pipeline, which, in addition to Azerbaijani oil is scheduled to take growing volumes of the Kazakhstani oil. Second, Kulevi, Supsa, Batumi and Poti, all of which are going to take growing volumes of Kazakhstani and Azerbaijani oil.

Kazakhstan's announcement is the first indication of the return of business confidence. A second indication comes from Armenia, the host country of this conference. Armenia is actively considering and actually promoting the idea of expanding the Trans-Georgia highway. It has demonstrated keen interest in its modernization and expansion. The highway runs from the Armenian border through Georgia to Georgia's Black Sea coast. As long as the Turkish and Azerbaijani borders remain closed, it provides a crucial route from Armenia to the outside world.

In the non-oil sector, a number of Western companies are continuing investment projects in Georgia and even announcing their intentions for new investment projects. It should not be surprising that business confidence is returning to this corridor.

Initially, reports that Russian forces had targeted energy infrastructure on Georgian territory during the hostilities proved incorrect. Contrary to frantic reports at the time, Russia did not deliberately hit any energy terminal or pipeline.

The only crucial energy knot deliberately targeted by Russia was the Hashuri railway bridge. Both, the Batumi and Poti railways ran through it. The railways transport significant amounts of Kazakhstani and Azerbaijani oil and the bridge was a crucial Georgian railway junction. The Russian bombardment of the Hashuri Bridge temporarily halted that oil traffic. It was an isolated incident of targeted action against energy infrastructure.

However, other Russian military actions such as, the bombardment of Poti harbor where there is an oil terminal; the inclusion of Kulevi to the Russian so-called security zone near Abkhazia; the temporarily interdiction of commercial traffic to Poti and (for a brief time) to Batumi disrupted the corridor. In addition, a Russian projectile landed very close to the Baku-Supsa oil pipeline. Failing to explode it nonetheless caused the perception of danger and possible damage to the pipeline. The ammunition forced the temporary closure of the pipeline until it was effectively disposed.

Albeit temporary, the disruption caused hundreds of millions of dollars of damage to Georgia, Azerbaijan and Armenia. The emergency is now over and the fact that the Russians did not deliberately target energy infrastructure (with the exception of the Hashuri Bridge) has contributed to the return of business confidence.

Despite the intense desire and political efforts by Armenia, and its Diaspora in the US, to be a part of these projects, it is not. It is possible that Armenia has missed a chance, perhaps not permanently, perhaps it is a retrievable chance, bit it has been missed. It will continue to be missed unless the Armenian government and the Diaspora (which do not always work in tandem) change their approach to this issue. For many years, both the government and Diaspora opposed the construction of the BTC pipeline. Conveying the impression, rightly or wrongly, that Armenian interest was at odds with the national interests of Azerbaijan, Georgia and Turkey in building that pipeline. The BTC pipeline became a reality.

More recently, the Armenian Diaspora actively (and in this case successfully) opposed American involvement in the construction of the Transcontinental railroad Karst-Tbilisi-Baku. Armenian organizations in Washington caused pro-Armenian members of the U.S. Congress to prohibit U.S. lending, U.S. credit guaranties, and political risk guaranties to the project. Once again, a perception arose that either the Armenian government, Diaspora, or both, were acting or setting themselves against the national interests of its three neighboring countries: Azerbaijan, Georgia and Turkey. This is not the way for Armenia to become integrated in regional energy projects. The way to be integrated in regional projects is to precede from a postulate that the interests of three countries are convergent in these projects.

An additional, very necessary step is attaining major progress in the resolution of the Karabakh conflict. As long as there continues to be no constructive process advancing the resolution of the Karabakh conflict, Azerbaijan and Turkey (understandably) will not want to invest in projects dependant on transit through Armenia. This is elementary logic. It may very well be that the logic of the Armenian Diaspora, which plays a role in influencing American policy on this issue, does not necessarily coincide with the views of the Armenian government in Yerevan. There is some daylight opening
between the respective attitudes of the Diaspora and the Yerevan government. It remains to be seen whether more light will shine between the thinking in the two places.

The EU has refused to support the Karst-Tbilisi-Baku railroad project, citing the same reasons as the United States. The proposed alternative route is to Giumri, Armenia. However, Giumri is not situated on the intercontinental line of transit; it is a local line. In terms of Armenian interests, routing it through Giumri would be beneficial to regional and local transportation. However, it cannot possibly be an alternative to the Karst-Tbilisi-Baku line, which is a line of inter-continental significance.

In Washington, it is sometimes argued that, to be viable and to have favorable political affect, the transit project should be truly regional in scope and include Armenia. Following this logic, any project that would exclude Armenia, would not qualify as a regional one. This argument has not proven itself effective with investors let alone with Armenia’s neighbors. The value of this project does not depend on its qualification as "regional" or "all-inclusive". These projects have their own economic and geopolitical rationales. Having an all-inclusive, regional project is not a goal in itself.

Therefore, this argument will continue to be a weak one supporting Armenia's inclusion. Armenia needs to find arguments that are more convincing. This one has proven itself unconvincing and ineffective. It did not stop the construction of BTC nor did not stop the construction of Karst-Tbilisi-Erzurum railway, the Georgian segment of which is fully financed by Azerbaijan.

What is the outlook in terms of European and Euro-Atlantic energy security and policy in this region?

There is a unique situation in the world of energy and geopolitics regarding both the oil and gas sectors. Russia, number one worldwide for gas and number two for oil, is absorbing almost the entire export of Kazakhstani oil and Turkmen gas. It is an unparalleled situation in which leading producing and exporting countries fully absorb the exports of large producers in the neighborhood. This situation enables Russia to add to its energy muscle and, by implication, a political muscle vis-a-vis the Euro-Atlantic community.

Those who consider this situation undesirable do not argue that it is illegal, unjust, or unfair. Rather, they argue the situation is undesirable for the Euro-Atlantic community and for the transit countries in the South Caucasus-Black Sea region.

A political contest over the choice of export routes for oil from Kazakhstan, particularly from the super giant Kashagan (the largest discovery since Alaska's North Slope 49 years ago) is already shaping up. The South Caucasus corridor is likely to become the main export outlet for Kashagan. There are two choices:

- to expand the pipeline running from Kazakhstan around the northern bend of the Caspian Sea to Novorossiysk. To accommodate the upcoming production from Kashagan, and via that pipeline through Novorossiysk, would more than double its current capacity of about 30 million tons /annum to more than 60 million tons /annum, or;
- to create the Trans-Caspian transport system. The most likely way would be by tankers or possibly seabed pipelines that would run from Kashagan and other Kazakhstani fields, the Kazakhstani coast of the Caspian Sea across the Caspian to Baku, and then take two possible directions: either to the BTC through Turkey or straight westward to Georgian terminals on the Black Sea coast.

Therefore the choices for Kashagan and for Kazakhstan are northward to Novorossiysk or westward to Azerbaijan and Georgia, and then Turkey or the Black Sea. This would most likely be a top issue in terms of energy security for Europe in the next decade.

In terms of energy security and, by implication, political security, gas is the most critical fuel. Its multiplicity of uses including energy generation and industrial production in the chemical as well as other sectors makes gas the most dependency inducing of all fuels.

Gas demand in Europe, and to some extent even in the U.S., is growing at an artificially high pace. This is due to the decommissioning of nuclear power plants and/or failure to build replacement plants for those outrunning their service life. Politically, this is a result of effective anti-nuclear lobbies: mainly in Europe. This is true particularly in Germany where the Social-Democratic Party (sometimes ruling, sometimes in the coalition government) and the Greens (who are no longer in government) have practi-
cally imposed their anti-nuclear agenda on the entire German politics. In terms of energy security, this is a milestone on Germany's neck. However, with France as a notable exception, the phenomenon is Europe-wide. Gas demand is growing due to the phenomenon, which is driven by Germany's deficit caused by the decommissioning of nuclear power plants. Therefore, expectations of Russian gas deliveries are growing at the time when North Sea production is declining, and the proven reserves in the North Sea are dwindling.

Russia itself does not, and will not, have (at least in the coming 10-15 years) sufficient gas to supply all of the proposed pipeline projects. Although not directly related to the BSR, the following have a direct impact on the plausibility of the South Stream and Blue Stream projects proposed by Russia. The fate of these projects in the Black Sea is inseparably linked to the fate of Russian gas deposits and pipelines in and from northern Russia.

The pipeline projects, as proposed by Russia, include:

1. The Nord Stream which it to run from Russia directly to Germany on the Baltic seabed, and be fed primarily by the Stockman field in the Barents Sea;
2. The existing Yamal-1 pipeline, which runs to the heart of the EU territory via Belarus and Poland;
3. The projected Yamal-2, which will supplement Yamal-1 by doubling its capacity;
4. The Ukrainian transit system, which currently transits about 80% of Russia's total gas exports to the West;
5. The existing Blue Stream, mentioned earlier, running on the seabed of the Black Sea to Turkey, is to be slated to increase its capacity; and;
6. And South Stream, the biggest of all, from Russia running again across the seabed of the Black Sea, Bulgaria and then ramifying into those directions that I mentioned earlier.

There is no way for Russia's existing and proven gas deposits to supply all these pipelines simultaneously at their declared capacity. Importantly it is not at their projected capacity that it is not possible, but at the declared capacity. There is difference.

Russian strategy consists of building surplus transport capacity as a deliberate policy. In the domain of gas, each pipeline creates its own national or sub-regional market at the end of that pipeline.

Russian policy aims at creating a situation in which the maximum possible number of customers in the West would compete against each other for limited volumes of available Russian gas; with Russia centrally positioned to direct gas volumes. The criteria would not be defined by the customer countries, but rather, the supplier.

Central Asia’s gas resources, particularly Turkmenistan's, play a key role in this strategy. Russia intends, and has already started to use large volumes of Turkmen gas to supply its own internal needs. This would free up significant volumes of Russian-produced gas to be exported to the West. Until now, using another country's gas has been the manner in which Russia has increased its export potential. However, the next stage has already begun in Russia. Russia will import gas mainly from Turkmenistan, and in smaller volumes from Uzbekistan and Kazakhstan, and resell it to the West as mixed-Russian gas. Ukraine is already at this stage. It is a customer of the Russian/Turkmen gas coming in through Russia.

An announcement, by one of the most reputable British auditing firms that the content of Turkmenistan’s Salyratalan Osman gas field figures in at lower estimated end with 4 trillion m3 of gas significantly raised the stakes in Turkmenistan. This amount equals the reserves at Stockman. Whereas this is only the first of the fields, it is most certainly the richest, and the first one audited by independent Western companies in Turkmenistan. Undoubtedly, another political and diplomatic contest will develop regarding the choice of export route from Turkmenistan.

Pending appropriate political action from Brussels and Washington, the Trans-Caspian gas pipeline out of Turkmenistan may enjoy another chance to materialize. Will such political action materialize in order for the pipeline to materialize?

The recent Russia-Georgia and the West's financial crisis have raised this big question the top of the policy agenda. These concurrent events have dealt a severe blow to the notions that had until now prevailed and inspired the energy policies of Western governments.

It was believed possible to achieve energy security cooperatively with Russia; that energy security is not a zero-sum game; that the free market alone will
resolve the West’s energy dilemmas and; energy development and transportation are matters for private corporations to take up and resolve as dictated by and shareholder interests.

This paradigm has taken a heavy hit and, after the events in the Southern Caucasus and the crisis on Western financial markets, its long overdue revision can no longer be avoided. Energy security is very much a zero-sum game. Energy security is, in fact, the ultimate zero-sum game. Those billion cubic meters gas, or those millions tons of oil that would go in a certain direction will not by definition go the other direction. There is a struggle for physical access to the world’s remaining and dwindling proven reserves of oil and gas, as there is a contest, increasingly open, over the choice of transportation routes. This is the mother of zero-sum games.

The market left to its own devices, will not resolve the West’s energy problems. Contrarily, left to its own devices, market forces and corporations will aggravate the West’s energy dilemmas. Instead of following coordinated policies, which they by definition cannot do, Western corporations have ended up competing with one another for access to resources (not only in Russia but in many places) and for privileged deals with energy suppliers including Russia.

In the case at hand, elements of state intervention in issues of energy security are clearly justified. State intervention into energy policy is nothing new. Throughout history, the states of Europe and the U.S. have, as a rule, promoted the interests of national corporations, so-called national champions.

With the exception of intervening on behalf of favorite national corporations, states (or in the case of Europe the European Commission) have not played an active role in promoting energy security strategies, devising them or implementing them. Rather, the U.S. government and the European Commission have shied away from this role.

At least on a theoretical level, the necessity of active state intervention or elements of active state intervention (i.e. EC pipeline subsidization, the provision of credit guarantees to private corporations that would venture in risky areas) may be increasingly understood in Washington and Brussels. During the second term of the Clinton Administration, the U.S. government was moving in that direction by covering these projects with political insurance. However, that advance was stopped and even reversed by the Bush Administration’s fundamentalist approach to the market. The EU never even stepped into that role. It has neither the tools nor the budget for it. As long as national governments continue to jealously reserve energy and foreign policy for their own sovereign domain, these two are going to require adjustment if European and Euro-Atlantic energy security is to be safeguarded.

The terms European and Euro-Atlantic energy security are used, because their energy security is indivisible. Historically, this realization has inspired US policies regarding the supply and transport of energy from Russia to Europe. From the Nixon Administration and onward, the adverse impact European over-dependence on Russian energy supplies would have on the political cohesion of the Trans-Atlantic community and NATO itself was very well understood by the Russians. It could inhibit the resolve of European governments to take decisions required by their common policy and security needs. The wisdom of those Western, mostly American, assumptions are being vindicated in Europe today.

Is there a direct correlation between the levels of energy dependency of a particular government and its disposition to give in to Russia politically? The answer to this question remains ambiguous.

On one end of the scale, Germany, which is among those less dependent on Russian delivered energy (almost 40% for oil and more than 40% for gas) demonstrates the most receptive attitude regarding Russian proposals on European security. The Baltic states are on the other end of the scale. Among the most dependant countries on Russian delivered energy, they are least receptive to Russian proposals on European security affairs. Similarly, Italy, which has small level of dependence on Russia, is almost as receptive as Germany to Russian proposals on European security affairs.

The correlation between the level of energy dependency and political vulnerability does not appear to be a straight one. What does seem to be better correlated is the involvement of particular interest groups in one country or another (e.g. Germany or Italy) in advantageous energy projects with Russia and the governments predisposition to give in to Russian demands.

October 2008, Yerevan, Armenia
Opening remarks for the Harvard workshop in Armenia

Your Excellencies, Ladies and Gentlemen,

On behalf of the organizers of the Workshop, I have the honor of cordially welcoming you in Yerevan. Within the past years, the Harvard Program has become an important international forum. It is a forum in which leading theoreticians, analysts and practitioners present the vital and strategic interests of their states and exchange new ideas in the field of strategic security studies. This program cooperates with leading think tanks, which influence international policy through their theoretical-methodological assistance to stakeholder organizations of the partner states, contacts and professional dialogue. Thus, the program constructively influences internationally agreed decisions on developing security architecture in the Black Sea region.

I would like to mention the key role played by its founders and leaders - Dr. Sergei Konoplev and General Tad Oelstrom - in the process of implementing the given essential Program. Taking into account the added complications to the dynamics of regional processes caused by the war in the South Ossetia, and the rising level of uncertainty in relationships among the actors in the South Caucasus, the Harvard Program is becoming one of the most needed formats of intellectual coopera-

The Ministry of Defense of the Republic of Armenia has been cooperating with the Harvard Black Sea Security Program since the day of its inception in 2002. Specialists from top leadership and executive levels of our republic take academic courses within the framework of this program. Many of them have applied the knowledge they acquired, and have been promoted to senior, responsible posts in the fields of politics, diplomacy, defense and security.
The Harvard forum is significant for Armenia. Together with the US National War College, the Chair of National Security of the Russian Academy of Public Service under the Russian Federation President, and the NATO International Security Advisory Group, this Program published the materials on inter-agency elaboration of the National Security Strategy on its website.

During the previous two years, in the course of methodological cooperation of our national inter-agency commissions with leading think tanks in Washington, Moscow, and Brussels, the National Security Strategy and the Military Doctrine of the Republic of Armenia were developed and approved. Based on these fundamental documents, the process of implementing defense reforms has been launched. The process is targeted at conforming the goals, main directions of activity, structure, armaments and staff potential of the Republic of Armenia Defense system with the national security priorities. The fighting readiness and efficiency of the Republic of Armenia Armed Forces is a guaranteed conditionality.

October 2008, Yerevan, Armenia
Emerging debates over the Black Sea

Tigran MKRTCHYAN
AIPRG, Program Director

Dear Ladies and Gentlemen,
Distinguished and honorable guests,

It is my honour to address you from this rostrum today. I am very happy that today we are realizing the Harvard Black Sea Security Yerevan workshop together with the Institute for National Strategic Studies. I want to specifically express my gratitude to Dr. General Major Hayk Kotanjian and Dr. Sergei Konoplyov for co-organizing this even with me and the Armenian International Policy Research Group (AIPRG). At approximately the same time I got acquainted with Sergei Konoplyov I was also introduced to a beer business manager named Serhiy with the surname Konoplenko. They both prefer to call and talk with friends over writing long emails. But due to the similarity of surnames when Sergei Konoplyov was calling me at the initial stage of organizing this lovely event, it was taking me a dozen or so seconds to discern that I am not going to talk about beer but about Black Sea Security!

I want to congratulate everyone here. As of last week Armenia has taken the helm of chairmanship of the Organization for Black Sea Economic Cooperation. For the six month term of this chairmanship I have no doubt Armenia will chair the organization in a successful manner.

AIPRG is a think tank involved in promoting debates over the Black Sea region, its concept and identity. In 2007, AIPRG was selected as a country consultant for an Organization for Economic Cooperation and Development (OECD) publication. It was called the Black Sea and Central Asia Economic Outlook (BSECAO). It investigated how countries in Black Sea and Central Asia regions respond to the double challenge of integrating into the global economy and improving domestic welfare through the creation of more and better jobs. The launch of the final report will take place in June 2008. The AIPRG input regarding Armenia's chapter in that study is crucial.

Beyond the economic scope, we covered the strategic aspects of Black Sea studies. Since ancient times of the great Greek colonization of the Black Sea coastline 2700 years ago, through the middle ages, the map from which period is here in front of you (from 15-16th century) up until now adventurers, statesmen and scholars have attempted to understand this region which, subject to varying interpretations, perceptions or misperceptions, unites or divides differing civilizations and political systems.

The identity of the Black Sea Region, however, has always been subject to various understandings, and in the last few years we have seen the concepts of the "Wider Black Sea" or the recent initiative of the EU called "Black Sea Synergy" emerging. But we need to understand the impeding factors that have so far hindered the economic, political and social integration in the area of the Black Sea region. This was the reason why AIPRG organized a security conference on the "Wider Black Sea Perspectives for International and
Regional Security" this January. We had several revered guests in that event and in two days we debated over the security challenges facing the region. That event was rewarded by the attendance Mr. Peter Semneby, EU Special representative to the South Caucasus and that of Mr. Matthew Bryza, US Deputy Assistant Secretary of State, who wished to attend this event until at the very last moment his visit was not possible. The conclusion we reached was that the existing conflicts and tensions between the states around the Black Sea do not allow the region develop in a natural way. The Georgian-Russian conflict, Armenian-Azerbaijani tensions, non-existence of diplomatic relations and existence of close borders between Turkey and Armenia, unstable political situation in most of the post-Soviet republics around the Black Sea are all factors that prevent the regional development in this part of the world.

Hence conflict resolution efforts and successful and linear democratization through reforms and implementation of those reforms are necessary ingredients for the healthy functioning of the Black Sea Region. Otherwise we would witness recurring conflicts, unjustified loss of lives, confronting alliances, and most dire of all, a rise of "illiberal democracies" as Fareed Zakaria would like to call failed democracies. Also, regional projects can not be called regional per se if they are aimed at excluding one or two states from that region, if they specifically circumscribe this or that state in order to politically and economically weaken that state. Regionalism can not be reached through isolationism. This is an unhealthy mentality and can bring no long-term benefits to the region in totality. Indeed no nation can or should be forced to make this or that strategic choice, neither can a people’s right to self determination be crushed by force.

But when one studies the Black Sea Synergy’s main cooperation areas, it would be hard to neglect the fact that in several of those areas Armenia, for natural or for political reasons, has no participation at all (energy, transport, maritime security and environment, fisheries). Almost in half of the areas notified in the Black Sea Synergy concept Armenia has no participation. This concept though gave 'democracy, respect for human rights and good governance' and 'the "frozen" conflicts' priorities (respectively being the first and third main cooperation areas out of thirteen).

The 'Report on the First Year of the Implementation of the Black Sea Synergy' makes it clearer that those areas that do immediately concern the littoral states of the Black Sea have been more successful and have gone further up in the list (such as environment, maritime policy and fisheries, energy, transport being the top four areas) of priorities pushing back those that were of foremost importance in the concept (such as democracy, respect for human rights and good governance (9th) and "frozen conflicts" (being 10th out of 10). Thus, long term regional strategic issues (such as the conflict resolution and democratization) gave way to geographical expediency issues in the Black Sea Synergy. Whereas Armenia is not a Black Sea littoral country geographically, it has no Black Sea identity as such, it feels more alienated from this project. No wonder that in Armenia discussions on the Black Sea Synergy are not so common or I would say, quite rare, which is an indicator of this estrangement. Surely I would encourage the Armenian official representatives from government to elaborate on this issue further.

I am happy to see representatives from almost all Black Sea countries present in our event. I am happy to see Ms. Deniz Cakar, MFA representative from Turkey as well and wish her an unforgettable stay in Yerevan. It is indeed unfortunate that representatives from Azerbaijan were not able to attend this event. Nevertheless I hope that the level of discussion would be as high as it has always been.

Finally, I would like to thank the US Embassy (Ambassador Yovanovitch and Deputy Charge of Mission Joseph Pennington) for their fantastic support in realizing this event, the Ministry of Defense and Minister General Seyran Ohanyan for embracing the initiative and supporting it by all possible means, as well as our long standing friends from Eurasia Foundation (and the USAID) and the NATO Public Diplomacy Division. ■

October 2008, Yerevan, Armenia
Military reforms in Armenia in the last decade

Mr. S. M. OHANYAN
Minister of defense of the Republic of Armenia

I have the honor of welcoming you in Yerevan; the ancient capital of Armenia. Two weeks ago, its 2790th anniversary was celebrated on a state level. We are very proud of our past. At the same time, we confidently face the future. The pledge of this confidence is the progressive path adopted to ensure the sustainable and secure development of our country. This path encompasses comprehensive democratic reforms, implemented in all activity spheres of governance, and international integration based on the principle of complementarity.

Being part of the Black Sea Region the South Caucasus is influenced by coincidences and conflict of interests of the various power centers. In such an environment, Armenia faces a variety of challenges and threats. Considerable efforts and resources are required to neutralize or reduce them. Military threats are among the more dangerous challenges and threats facing Armenia.

The existence of the Karabakh conflict and the absence, between the conflicting parties, of a concerted political-legal basis for its settlement, pose a serious military threat to the Republic of Armenia (RA). In this context, Armenia is preoccupied with the militarization policy pursued by Azerbaijan, its desire to achieve military supremacy under the guise of defense reforms and, unleash a new war to resolve the Karabakh conflict by military force. The continuous blockade imposed on the Republic of Armenia by the neighboring states, attempts to isolate Armenia, the general destabilization of the security environment in the South Caucasus, as well as instigation of present and new conflicts are also considered as military threats to Armenia’s security.

Additionally all nations, including Armenia, face such asymmetric military threats as transnational crime, including international terrorism, illegal proliferation of weapons of mass destruction and their components, narcotics and psychotropic substances, human trafficking.

At the same time, there are factors that positively affecting the development of international and regional security architecture. Particularly, the consolidation of regional, and international security structures, and the unified struggle against international threats decrease the classic global war threat posed to the security of small states.

International integration processes have created favorable conditions promoting cooperation in the sphere of defense. In the South Caucasus states, the tendencies to ensure democratization and establish civil society and social justice are factors that, despite their contradictions, significantly contribute to creating an atmosphere of mutual trust and peaceful dialogue in the region.

As has already been mentioned, we have chosen two main paths to neutralizing the afore-mentioned and other threats: the reinforcement our defense system through the implementation of reforms and the
attainment of international security guarantees through integration. These two paths are interrelated.

Defense reforms are targeted at establishing a system, which fully match the modern challenges facing the military security of the Republic of Armenia. The system should be flexible, efficient and able to neutralize all current threats. It must reliably defend the Republic of Armenia, the fundamental values of its national security while satisfying the state’s international commitments aimed at ensuring external security and the strengthening of Armenia's defense system. Therefore, next to adequately addressing the military security environment, the Armenian defense system must be capable of influencing it.

Reforms in the defence system of the Republic of Armenia are implemented in two stages. In the first, conceptual documents are elaborated, namely the National Security Strategy and the Military Doctrine, and legal reforms are initiated. When developing the National Security Strategy we combined and enriched the Russian practice with the western methodology. It is not by mere chance that this document underwent a methodological review in the leading think tanks of the USA, Russia and NATO.

After successfully completing the first stage, we proceed to the second one. It was important to develop and introduce standards and criteria that would guarantee the efficiency of our defense system and its interoperability with relevant structures of partner and ally states. While choosing these standards, we utilized opportunities stemming from the principle of complementarity. The implementation of reforms falls within the framework of Armenia-NATO Individual Partnership Action Plan. It provided us an opportunity to study and apply rich western practice and traditions. Simultaneously, due to cooperation with the Collective Security Treaty Organization (CSTO) member states particularly with Armenia’s strategic partner Russia, we selected the most suitable standards of this organization and synthesized them with the western ones.

Membership in various international organizations, and participation in their programs, is essential for Armenia's secure and sustainable development. Among these organizations stand the UN, the CSTO, the North Atlantic Treaty Organization, the Organization for Security and Cooperation in Europe and its Minsk Group, the European Union, the World Trade Organization, and of course, the Organization of the Black Sea Economic Cooperation and other international organizations. Among the programs, which should be mentioned are the Armenia-NATO Individual Partnership Action Plan and the European Neighborhood Policy. I underline the importance of the Black Sea Synergy program, initiated by the EU only a year ago, and its emphasis on 'soft security' issues. Various political and economic security issues are resolved by these organizations and programs. We are confident, that in ensuring regional stability and security, the opportunities and resources provided by these organizations and corresponding programs are not wasted at all. Therefore, we intend to continue our cooperation with these organizations on all the issues where our interests and approaches do not contradict each other.

At the beginning of the previous century, our nation was subjected to the most awful of crimes - Genocide. Naturally, the Republic of Armenia never wants to experience the calamities and atrocities of war. It therefore seeks peaceful resolutions to all the issues and conflicts. However, as the Roman proverb goes, sic vis pacem, para bellum, which is to say - if you want peace, prepare for war. For this reason, we improve our defense system by implementing democratic reforms to constrain a possible enemy and, in case of aggression, adequately counter it.

The major goal of the defense reforms in the Republic of Armenia is the development and introduction of standards in the Armed Forces, which would fully comply with Armenia’s national security priorities. They should solve military-security related national issues and provide sufficient interoperability opportunities with allies and partners. This will facilitate the determination and understanding of Armenia’s place and role in ensuring international security, a role that reflects its growing international reputation and corresponds to its military security interests. This is an objective need directly stemming from geopolitical processes in the region and the national security interests of our Republic. At the same time, the military-political-security situation in the region, which poses military threats to the RA, urges us to show prudence. Therefore, the level of the army’s fighting efficiency steadily increases in the process of improving the defense system. This takes the military potential to a qualitatively new level, building an Armed Force, which should be in a state of constant readiness to counter modern challenges and threats.

October 2008, Yerevan, Armenia
NATO policy in the Black Sea Region

Mr. Jaroslaw SKONIECZKA
Director, Euro-Atlantic Integration and Partnership, NATO International Staff

I am here to talk about NATO policies. However, this is not an easy task since it is difficult to find a coherent, complete statement on NATO strategy or policy in the Black Sea Region.

At the Istanbul Summit In 2004, a group of friends of the Black Sea - both nations and individuals - managed to include a text on the Black Sea in the Summit Declaration. It turned out to be a mixed blessing. On the one hand, this text stipulates that the region is of strategic importance for NATO. On the other hand, however, this it contains a condition: NATO actions in the region must take place with agreement of littoral states. This is a complicating factor because of differences in interests and views on how security in the region should be addressed, even among allies. This text, while recognizing the importance of the Black Sea for NATO, has efficiently prevented NATO from developing thoughts, policies, or actions specifically targeting the Black Sea Region (BSR).

If you narrow the search for a strategy or policy, and focus only on the Caucasus, you will still have trouble defining NATO’s strategy or policy. There are a number of statements, here and there, in this or another declaration, but they do not mean too much in terms of understanding what we do, and how we go about it. We say that the Caucasus are of strategic importance as is the BSR, we say that we will pay special attention to the region. We say we do not like conflicts in the region and we hope somebody will solve them. We do not have a role in any of these conflicts, and we are not seeking such a role and, most likely, we should not be seeking one.

Those who suspect that there is a secret policy that defines NATO actions in the region will be partially right. There is a classified document on NATO’s policy in the Caucasus and Central Asia, which I cannot share with you. However, I am probably the only person at NATO Headquarters who knows that such a document exists, because I drafted it. That document was agreed upon with significant difficulty about four years ago, forgotten the next day, and never retrieved to guide any NATO policies or actions in the region. So you can easily consider it irrelevant, and it was not a very good document anyway.
So do we have anything significant here? Do we know what we are doing? Is there a public statement of our policy? Is there a pattern of our presence there, or a pattern of interactions with nations around the Black Sea or Caucasus's that a researcher could identify? The answer is 'yes'. We do a lot, and we know what we are doing.

To explain what it is, I have to refer to Kenneth Walt. I am not sure if he ever worked at Harvard, but I think he is still considered one of the most influential thinkers in the sphere of international relations. Most of you may be familiar with his classic seminal book, "Man and state and war". In that book, written a long time ago, he identified three schools of thought on the sources of war and conflict. First there are the people who blame the international system and its anarchic nature which produces unpredictability, uncertainty, and leads to war. The second group of people blames the state, particularly bad states, autocratic states. The third school of thought focused on the individual, human nature, human mind, or individual decision makers.

Those three groups also had three solutions to the problem of war and security conflict. Those who believed that we should blame system, offer cooperation as the remedy, moreover, integration, which limits unpredictability and uncertainty while foraging patterns of peaceful interaction. Those who blame states, they offer reform. They say good democratic states do not go war, bad states go to war. Bad states need to be transformed into good states, and this in turn will prevent war and conflict. Those who blame individuals, they offer education to work on the human mind. These are the three levels of analysis: systemic, state and individual. Three sources of war and insecurity: systemic, state and individual. And three remedies: cooperation/integration, reform and education.

Kenneth Walt should be proud of NATO because without trying to solve the academic dilemma, we are working at all three levels, with all our partners around Black Sea, including Russia, although recently, that cooperation became somewhat more difficult and limited. First, we work at systemic level. We organized cooperation amongst states in more than 30 areas. In many of these areas NATO has exclusive competence, unrivaled expertise, and experience. We offer nations in this region, including Armenia, entrance to thirty communities and interests, to thirty networks of people and institutions across the Euro-Atlantic area.

NATO offers the most attractive package of cooperation on security and defense matters. In terms of the richness and attractiveness of what NATO offers, no other organization or country, not even U.S., comes close to NATO's neighborhood. This offer goes far beyond military matters. It includes scientific cooperation, environmental cooperation, political dialog, and many other components. Few of you would know, for example, that here, in this region, we work on the management of water resources. We work in the region on seismic risks. As difficult as it is to get representatives of Armenia and Azerbaijan in one room (and the Harvard program has experienced this) these are NATO programs where these countries are able and willing to cooperate.

We also work at state level. We have efficient, sophisticated, smart, intelligent programs to foster and support reform. We focus on defense reform and the security sector, this reform is an essential part of democratic formation, an indispensable one, and nobody can do it better than NATO. We are the only organization which can provide the best experts and the most competent assistance on defense reform. This is offered to all the nations around the Black Sea. Most have taken advantage of this offer, including Armenia. We appreciate the commitment of Armenia, and its determination to pursue defense reform in cooperation with NATO. Once more, nobody can match our competence, expertise and experience in this area, no state, and no organization. That is why we are a so attractive partner for nations in the region.
We are also working on the individual level. We have opened our own educational institutions to our partners in the Caucasus, in the larger Black Sea. Moreover, we are building a network of non-NATO institutions willing to work with us, harmonise and coordinate their actions with us, to provide better education and training opportunities for civilians and military people from countries around the region. The Marshal Center, represented here, is one of the institutions that we have worked together to reach that goal.

Therefore, even without a precise public statement, even without a precise secret policy, we are following an intelligent design. We do have a role. We may not have direct security presence all over the region, but we do work on the security, peace and wellbeing of this region by organizing cooperation, providing assistance to reform, and providing assistance to education and training by nations of this region. We do what James Sherr recommended NATO should be doing yesterday. In each state in the region, we focus on building individual capacity to deal with security and defense problems. We want to help nations in the region to become stronger. James talked about the importance of these states being strong, better, more democratic and more capable of dealing with their security dilemmas. If they are more democratic, if they are better and more capable, they’ll be better able to provide for their own security, the security of the region and to contribute to overall security. This is a role that nobody can neglect.

We cooperate, we reform, we educate, and we also integrate. For those nations who are willing and able to join the Alliance, the door is, and will remain open. We have worked with Georgia, we have worked with Ukraine. We have engaged in an intensified dialogue on questions of membership with them and we have worked on preparing them for future membership should they wish to join.

It is important to stress that the issue of NATO membership is not an immediate one. The debate is about the Membership Action Plan (MAP), which does not guarantee membership. Albania spent 10 years in MAP. We are not discussing membership for Georgia or Ukraine in NATO tomorrow. Yesterday, James Sherr said that most likely Ukraine and Georgia are currently not ready to join NATO. We have to agree: they are not. So, we are not discussing their membership tomorrow. We are discussing ways to prepare them for it - if, and when, it comes. MAP is the means towards this end.

The August war, as James Sherr said yesterday, was a shock for the system. The question arose, "What do we in NATO do now?" We will do the same, only more and better. We will continue to cooperate and try to offer even more attractive opportunities. We will continue our support to reform in Armenia, Azerbaijan, Georgia, Ukraine and elsewhere. We will think of how we can do it, and we will do it better. We are working on further improving what we offer in education and training of individuals. We will continue working toward integration. We have done something in Georgia, and we’ll do more. We have established the institutions. We are thinking how to fill these new institutions with better substance. That policy will continue.

Recently, Russian President Medvedev said, "The West does not have a place in this region". I think it indicates gross misunderstanding in Russia of the nature of our engagement. The right question is not whether there is a place for the West and NATO in this region. The right questions pertain to the place for Armenia and other countries of this region in Europe and whether they are willing to claim that place. If there is a place for this region in Europe, in a broadly understood process of European integration, as I believe there is, as long as these countries are willing to claim that place in Europe, there is role for the West. There is role for NATO and a reason for me to come to this country.

October 2008, Yerevan, Armenia
Bulgaria's perspective on Black Sea security and stability

Why the Black Sea Region is important

The main vulnerabilities which confront the region remain the differences between the countries situated in the western part of the Black Sea area and the ones situated in the eastern part, the different stages of development of the countries which compound the region and the lack of a real regional identity.

Direct presence of the EU and NATO in the Black Sea region, a new approach towards the regional security was introduced, during the last few years. The attempts of some countries to isolate the region (which means to prevent NATO and EU involvement in the processes of regional cooperation) contradicts the Bulgarian national interests.

The Bulgarian national interests lie in developing regional cooperation based on the principles, values, and standards, shared by all countries and defined by the UN Charter, the OSCE, Council of Europe and BSEC documents, as well as the bilateral agreements between the countries from the region and the EU and NATO.

Bulgaria's strategic goals

- to safeguard its national security through achieving a lasting stability in the region;
- to create favorable conditions for the development of the Bulgarian economy through increasing the cooperation in the Black Sea region on bilateral and regional basis.

The achievement of these long-term strategic objectives is being pursued through the following instruments:
- strengthening security and stability;
- establishment and enrichment of good neighborly relations and partnership among all the countries in the region;
- promotion of democracy and the rule of law, human rights and good governance;
- providing support for functioning market economy, encourage economic development and prosperity;
- extending collaboration with civil society;
- developing cooperation at municipal and regional level.

Strengthening stability and cooperation

Bulgaria would support an enhanced cooperation among the Black Sea countries based on the following principles:
- shared responsibility for the development and the prosperity of the region and ownership of the regional cooperation process;
- an inclusive approach ensuring that no country of the region is excluded;
- pragmatic approach;
- synergy of various regional initiatives and programs;
• each country may decide whether to participate or not in a given project;
• openness for cooperation with the EU and other international, regional or local organizations and institutions, as well as business associations, academic and research institutions and NGOs.

Being EU member-states Bulgaria, Greece and Romania have an important role to play in the elaboration of the Black Sea dimension of the EU Neighborhood policy and the establishment of an efficient and pragmatic partnership between EU and BSEC. This will bring impetus to BSEC and will allow the EU to cooperate with an already established and functioning mechanism. A better involvement of the EU Member States with observer status into practical activities envisaged by the BSEC and elaboration of cooperation mechanisms in concrete areas is needed, and, is on the agenda of the Albanian BSEC Chairmanship at the moment.

Another challenge of the six littoral states is border security, which has direct impact on the region and beyond. All questions related to security, to stopping smuggling, illegal trafficking and illegal migration, etc. should be on our agenda. In this respect the established Black Sea Border Coordination and Information Centre in Burgas, Bulgaria plays important role and has a high potential for the protection of the maritime borders. The Centre facilitates the exchange of information concerning illegal activities in the Black Sea area.

I would like to say a few words about the specific fields which Bulgaria considers most important in the Black Sea cooperation.

Energy security

Energy security is an important topic for Bulgaria. In the long term Bulgaria’s potential to play a role as a key energy center in South-Eastern Europe is high. In the field of energy we can mention the agreements on the oil pipelines which have been ratified by the Bulgarian Parliament.

One of them Burgas-Alexandroupolis is closest to the best alternative; it is the shortest (280 km), and the cheapest. Additionally, it crosses EU Member States is supported by Brussels. The trilateral negotiations between Russia, Greece and Bulgaria came to an end on 7 February 2007, with a full concord, and, on 15 September 2007, an Agreement on cooperation and exploitation of the pipeline was signed. According to the agreement Transneft, Rosneft and Gazpromneft will own 51% from the project’s shares, the rest going to Greece and Bulgaria. The Russian side will guarantee the functioning at full capacity of the pipeline. On 6 February 2008, in Amsterdam, an International Co "Burgas-Alexandroupolis - Trans-Balkan Oil Pipeline" was registered. The first phase of the project is finalized and now the procedure for choosing the subcontractors is going on. For the time being this project has a good chance to be implemented.

Another one is "AMBO" starting from the port of Burgas, through FYRMacedonia, to the Albanian port of Vlyora. This route is 860 km long and there still some questions marks regarding the supply of oil, but the project has its potential.

As far as gas supplies, the Nabucco pipeline is expected to bring alternative gas sources to Central Europe starting in 2011. The 3,282 km - long trans-Adriatic gas pipeline will bring to Europe about 8 billion m³ of gas (with prospects of increase to 25.5 billion m³ by 2030) via the Caspian Sea and the Adriatic Sea. The route of the pipeline passes through Azerbaijan, Georgia, Turkey, Bulgaria, Hungary, Romania and Austria, the final technological junction,
which belongs to OMV Company, which owns Petrom, being at Baumgarten. The project is developed by OMV (Austria), MOL (Hungary), Botas (Turkey), Bulgargas (Bulgaria) and Transgas (Romania) companies, it will cost 5 billion Euros and it will be completed by 2011. Recently, SOCAR was invited to become stockholder. The EU strongly supports this project politically and it will be involved in its implementation, including through Gas de France Company.

Russian Gazprom has suggested an alternative project. The South-East European gas pipeline coincides in what concerns the route of Nabucco, but instead of starting from Azerbaijan, it starts from Russia. It is like a ramification of the Blue Stream that will cross Serbia, Bulgaria and Hungary. There is already an agreement signed by Russia, Bulgaria and Hungary, Jan 2008. In addition, there are no difficulties in supplying the pipeline with raw material. However, contrary to Nabucco, it is not known yet from where it will be taking the gas to be transported. Previously divided, the EU and Member States opinion concerning the Nabucco project, has developed lately towards an acceptance of the project.

The capacity of the pipeline will be 31 billion m3 per year. It is expected the overall cost of the project to be around $20 billion and to be finalized 2015.

It's needed to be underlined that these two very important projects, Nabucco and South-East European gas pipeline, are not competing and are not in contradiction but complimenting each other. Even when finished, their capacity will not satisfy the EU energy needs that's why a new sources and supply routs should be explored, as well.

Alternative sources

At present Bulgaria has a capacity of 12,668 MW, including thermo, nuclear and hydro-electric resources. In spite of this capacity, Bulgaria is intent to invest in the field due to the fact that by 2010 the power production will drop by 40%. Bulgaria imports annually 70% from the necessary fuel for electric power production.

On 1 January 2002, an ordinance to set electric energy prices was issued. It states that incentives are granted for companies which buy energy from renewable sources. A system of green certificates with base tariffs, to replace the current system, was supposed to be introduced in 2007, but it has not been implemented. Be as it may, as an EU member, Bulgaria will have to make sure that by 2010 the renewable energy will make 11% out of the whole electricity production. The potential of wind-based energy in the middle term is 3,400 MW and that of geothermal energy, 200 MW. Taking into consideration that almost 90% of agricultural lands are cultivated lands and forestry, the bio-fuel potential looks promising: 3,400 MW. Bulgarian authorities will give a special attention also to micro hydroelectric power stations.

On 18 September 2008, the Bulgarian Energy Holding was established in which all Bulgarian (100%) Governmental owned power production companies are included - "Coal mine Maritsa-East", Thermal Power Plant "Maritsa-East II", Nuclear Power Plant "Kozlodyi" (will be executed by Atomstroy), National Electrical Company and "Bulgargas" with its three subsidiaries - "Bulgargas", "Bulgarrtransgas" and "Bulgartel". With the establishment of the new holding structure with assets in value of BGN 8.5 billion, Bulgaria has one of the largest energy companies in the region. The Bulgarian engagements in the afore-mentioned projects namely Nuclear Power Plant "Belene", Nabucco, South-East European gas pipeline, and Burgas-Alexandroupolis oil pipeline will be under the Bulgarian Energy Holding direct supervision.

In the longer term, the realization of these important international energy projects Bulgaria will strengthen its role as a key energy center in South Eastern Europe. But beyond national interests, the EU's policy in the Black Sea area is of great importance. The more European policy there is in the Black Sea Region, the more cooperation there is in the region itself.

October 2008, Yerevan, Armenia
Remarks for Opening Ceremony of Harvard Black Sea Security Conference

Ms. Marie YOVANOVITCH
U.S. Ambassador to Armenia

Good morning. I would like to welcome Deputy Minister of Defense Nazaryan, Dr. Boghdasarian, General Kotanjian, Dr. Konoplyov, Mr. Mkrtchyan, Excellencies and participants. I would especially like to welcome those of you here to Armenia, who may be making your first visit to this country. As some of you may know, I myself have only recently arrived here in Yerevan – about a month ago – and it has been a great pleasure for me to get to know Armenia, or Hayastan, as Armenians call their homeland. I hope that all of you visiting from abroad will also have the opportunity to spend a little time getting to know this wonderful country better while you are here, and I hope that you will find other opportunities to return to Armenia in the coming months and years. Armenia has a lot to offer the wider region, also, I believe, Armenia can benefit a great deal from broader and deeper partnerships with each of the countries that all of you represent.

I think it is quite auspicious that Armenia is hosting this 7th annual Black Sea Security Workshop this year, at the same time Armenia assumes the chairmanship of the Black Sea Economic Cooperation (or BSEC) Forum. If it was not clear before, the war between Russia and Georgia has made it crystal clear that security and economic concerns are closely related in the Black Sea region, which is of such strategic importance, and at the intersection point between Asia and Europe.

It is not my intention here to initiate a discussion about the nature of that conflict. However, I think we can all agree that the fact of those events has served as a powerful reminder to us all about some of the strategic vulnerabilities that exist when we speak about security and economic concerns in the Black Sea region. For one, it reminds us - yet again – that the sealed borders between Armenia and Turkey and between Armenia and Azerbaijan represent significant obstacles and strategic vulnerabilities for both Armenia and Azerbaijan. Both of which rely heavily on Georgia as a transportation corridor to the Black Sea for the majority of their imports and exports. While I am sure that all of us in this room sincerely hope for peace, stability, prosperity in Georgia, and harmonious relations between Georgia and Russia, we also have to realize that it is a risk for Armenia and Azerbaijan to depend on that prospect for their own economic well-being. It is clear that choices enhance both security and sovereignty.

Therefore, I am encouraged, as I stand here today, by the relatively better prospects we see for possible rapprochement between Armenia and Turkey and between Armenia and Azerbaijan. If it were to prove possible to heal the long-standing problems that have divided the South Caucasus, it would transform the future of the
Black Sea region. However, as Assistant Secretary Dan Fried said when he was here last week, "Possible does not mean inevitable." Difficult issues remain that must be worked out; I do not minimize the difficulty. However, I also think that there is reason for cautious optimism that the leadership of both countries might be able to achieve progress in the near future.

We must all applaud President Serzh Sargsian for his bold leadership in inviting Turkish President Abdullah Gul to Yerevan for the World Cup football-qualifying match on September 6. It was equally courageous and praise-worthy of President Gul accepting that invitation and coming to Armenian. This was a powerful, symbolic gesture on both sides – people have compared it to the 1971 "ping pong diplomacy" that opened the door for political reconciliation between the United States and China in 1972, and I think there is some merit to that comparison.

In addition to the symbolic value, I think something else was accomplished. I have the impression that President Sargsian and President Gul, as well as Foreign Ministers Nalbandian and Babajan, found each other to be men of sincere good faith, with both sides genuinely interested in finding ways to overcome the issues, which have divided Armenia and Turkey. It can only be constructive for these leaders to have had this opportunity to get to know each other better and to have a frank conversation about their intentions and aspirations for this region. It was an excellent step towards confidence-building, trust and, hopefully, eventual reconciliation.

We also see some room for optimism about the possibility of achieving progress between Armenia and Azerbaijan over Nagorno-Karabakh. The Minsk Group mediators have worked very hard with negotiators on both sides of this dispute since launching the Prague Process in 2004. These, too, are not easy negotiations, and important issues remain to be agreed. We have come close before, but there is cautious optimism that the patient work that has been done in the Minsk Group format, over the past four years, has narrowed differences between the sides, and put a solution, based on the Basic Principles and Madrid Document, within potential reach.

I think it is also relevant to mention that – notwithstanding all the public commentary about the Minsk Group – the United States, Russia, and France continue to work together in the Minsk Group format on the Nagorno-Karabakh issue. That format remains the best chance for achieving a solution to that conflict. The co-Chairs continue to facilitate the process.

For our part, the United States remains committed to supporting the mutual work of Armenia and Turkey and, Armenia and Azerbaijan, to bridge the divides that now separate them, and to eliminate potential sources of conflict, while building regional prosperity and integration. If we can manage to resolve these regional disputes, it would open the door to an unimaginable new level of cooperation, confidence-building, and regional development.

I have dealt in these remarks on the Black Sea security issues, which are closest to home here in Yerevan, the issues that most concern the eastern end of the Black Sea Region, and the perspective of the United States on those issues. I recognize that there are broader regional issues to discuss here as well, and I am pleased to see, from the agenda, that other distinguished experts will address those issues.

I hope that this conference is both interesting and edifying, and I look forward to talking with some of you on the margins of the conference – or at the reception tomorrow night, which I am hosting in your honor. Thank you.

October 2008, Yerevan, Armenia

FACULTY BIOGRAPHIES

**Ms. Marie YOVANOVITCH**

of Connecticut, a Career Member of the Senior Foreign Service, Class of Counselor, was nominated on June 3, 2005 to serve as the next Ambassador Extraordinary and Plenipotentiary of the United States of America to the Kyrgyz Republic, and confirmed by the Senate on June 30, 2005. Prior to her appointment as U.S. Ambassador, Marie Yovanovitch was the Senior Advisor to the Under Secretary of State for Political Affairs from August 2004 to May 2005. From August 2001 to June 2004, she was the Deputy Chief of Mission of the U.S. Embassy Kiev, Ukraine. Prior to this assignment, from May 1998 to May 2000, she served as the Deputy Director of the Russian Desk. Her previous overseas assignments include Ottawa, Moscow, London, and Mogadishu. Ms. Yovanovitch joined the Foreign Service in 1986. Ms. Yovanovitch is a graduate of Princeton University where she earned a BA in History and Russian Studies (1980). She has studied at the Pushkin Institute (1980) and received an MS from the National War College (2001). Ms. Yovanovitch speaks Russian and French and is learning Kyrgyz.
EU's Black Sea policy in the aftermath of the August 2008: New challenges? New approaches?

Elena KLITSOUNOVA
Program director
at the Center for International and Regional Policy (CIRP)

On 1 January 2007, with the accession of Bulgaria and Romania, the European Union officially entered the Black Sea. The EU came to the region not with a single policy, but with multiple policies developed toward different categories of Black Sea states. These range from accession talks with the longest-standing accession candidate state (Turkey), the European Neighborhood Policy - ENP (involving Azerbaijan, Armenia, Georgia, Moldova, and Ukraine), and the four-common-spaces’ cooperation format with a would-be strategic partner (Russia). Thus, the EU has multiple policy instruments at work since that the EU’s policies towards each category are bilateral, and driven by different Commission departments.

Yet, many policy analysts expected the EU to put forward an overarching regional framework, in line with the EU’s initiatives developed in response to the EU’s previous territorial enlargement. Several of the EU’s prior policies (the Barcelona Process initiated in 1995, the Northern Dimension in 1999, and the Balkan Stability Pact in 1999) had been aiming to construct a certain regionalism around the EU’s newly extended periphery (1) and took a long time to get on track. After the latest enlargement, it took only a few months for the Commission to produce and publicize a policy document entitled "Black Sea Synergy - a New Regional Initiative" (2). This Black Sea Synergy paper of April 2007 announced the opening of a new Black Sea policy for the EU. It is the first EU attempt to treat the Black Sea area as the region and lists no less than 13 topics that could be the subject of Black Sea regional initiatives supported by the Union (see Annex 1). Yet, even after the new EU's Black Sea Policy was unveiled, there remained several crucial questions demanding prompt answers from EU policy makers.

First, the overarching Black Sea Policy aimed to put together an extremely heterogeneous group of countries and a mixture of EU’s own initiatives, policies, and formats. How to effectively pull together and coordinate different expectations and inputs, already learnt lessons and recent bilateral initiatives within this new regional framework? Second, in contrast to the Barcelona Process and the Stability Pact that started de novo without any preexisting regional organizations in the Black Sea Region, the EU was coming into the region with a number of home-grown regional initiatives, the most important being the Black Sea Economic Cooperation (BSEC) organi-
impact has so far been only limited, due to its arrangement as a broad forum for dialogue, the very limited financial resources made available to the organization, and other factors, including the usual competition, rather than cooperation, among the members of the organization. Nevertheless, BSEC has caused other countries around the Black Sea to launch parallel initiatives in the region. Among the most important of these parallel initiatives is GUAM (Georgia, Ukraine, Azerbaijan and Moldova, and Turkey and Latvia as observer states), created in 1996 by the presidents of Georgia, Ukraine, Azerbaijan. Moldova joined GUAM in 1997. In 2006, GUAM was formally institutionalized and re-baptized as the "Organization for Democracy and Economic Development" (ODED-GUAM). The Community of Democratic Choice (CDC), launched in 2005, in large part by countries from the Baltic and Black Sea regions (Estonia, FYROM, Georgia, Latvia, Lithuania, Moldova, Romania, Slovenia, Ukraine), has a mandate to spread democracy and freedom from the Black to Baltic Sea regions.

The problem with the parallel initiatives in the Black Sea Region is that countries involved in them often overlap and promote several organizations in the same regional area.

The European Union began its involvement in the Black Sea region in the 1990s, when it launched and participated in a number of regional projects and initiatives, such as the Black Sea Region Energy Center, the Baku Initiative, the Interstate Oil and Gas to Europe Pipelines (INOGATE), Transport Corridor Europe Caucasus Asia (TRACECA) project.

In the first half of 2008, when the implementation of the Black Sea Synergy (BSS) was already under way, some answers to these questions began to emerge:

- Discussing institutional arrangements of the BSS, the Commission papers mentioned the possibility of the BSEC option (cooperation with all BSEC members, including Russia) or the ENP option (without involving Russia). By the beginning of 2008, it became clear that the EU has decided to strengthen its relations with BSEC, although without granting to this organization too big role in articulating the EU's Black Sea Synergy. This position was confirmed...
during the first EU-Black Sea ministerial meeting on 14 February 2008, with a Joint Statement, welcoming the greater involvement of the European Union in Black Sea regional cooperation together with the EU decision to take up the role of observer in several BSEC working groups.

- At the same time, it became clear that the BSS would be very closely linked up with the ENP, and the EU would use the ENP opportunities to promote rule of law and to encourage the democratization process in the region. In addition, the EU has decided to bolster both the southern (with the "Union of Mediterranean" initiative of President Sarkozy) and the eastern (with the "Eastern Partnership" initiative of Poland and Sweden) domains of the ENP. Whilst in the south the EU readily hooked up with sub-regional cooperation bodies, in the east, the ENP had been almost entirely built around bilateral relations between the EU and each of the ENP partners. Some observers argue that the neglect of inter-regionalism in the eastern domain of the ENP has long been a purposeful strategy on the part of the EU (4). With the Polish-Swedish initiative, put on track for formal agreement at June 2008 EU summit, this would be corrected to some extent since the Eastern Partnership has been designed to serve as an anchor for regional cooperation between eastern ENP countries (Moldova, Ukraine, and three South Caucasus countries).

- The Black Sea Synergy has been designed as a sector-based cooperation built upon ongoing sector-specific projects of the EU. From the very early days of the BSS, many analysts have been arguing that the scope of action planned for the BSS is wide but the means are modest. Therefore it is of crucial importance to choose priority sectors of policy considered most feasible for Black Sea cooperation. The choice of a limited number of priorities would help the EU regional projects to be better focused, as opposed to the extremely dispersed efforts of the BSEC. Yet, the Commission's proposals remained highly eclectic and ambitious.

The next stage in the EU Black Sea policy process was in June 2008. The Commission presented to the Council a report on progress achieved during the first year of the Black Sea Synergy initiative, with indications of how the various lines of concrete activity will be followed up. The Report highlighted the following: (5)

- Long-term, measurable objectives in areas such as environment, transport, energy or maritime safety should be set to mobilize efforts by BSS partners.
- In each case a lead country or organization could be selected to coordinate actions to meet the set of objectives.
- Sectoral partnerships could be established to provide a framework for co-financing of projects involving some or all of the Black Sea Synergy partners. The successful experience of the Northern Dimension provides a useful example of how this could work.
- To increase the involvement of civil society and people to people contacts, a Black Sea Civil Society Forum and an Institute of European Studies in the Black Sea could be established.
- Belarus could be included in some BSS activities at technical level.

Five Days that Shook the Region

The August events, in and around, South Ossetia - sparked by the seemingly local and seemingly "frozen" interethnic conflict - became a very painful "checkpoint" experience for almost all countries in the wider Black Sea and Caspian region. The events shook to their foundations existing cooperation and competition calculations in the region. Now any discussion of the future of region-building in the Wider Black Sea Area has to focus on the consequences of this Caucasus conflict and the possible ways to solve it.

An extremely broad range of perspectives from which the conflict has been seen illustrates the complexities of the region that the EU has entered:

First, the tensions in the region - and the conflict over South Ossetia in particular - are often seen as hard security issues, balance-of-power thinking, and struggle for spheres of influence.

Russian decision-makers are portrayed as having anchored their security and diplomatic practice in what may be labeled as traditional realist vision of international politics; the need for Russia to come back as a strong empire and to be more assertive in areas of its "privileged interests". The United States are seen as having been drawn to the region to forward a policy aiming to reduce Russia’s influence, to secure regional allies, and to extend U.S. strategic reach into the Caspian region and Inner Asia. Turkey is deemed to undergo a dramatic strategic reorientation, moving "away from a role within a larger multilateral Western
alliance toward a more unilateral assertion as an aspiring regional power" (6), and searching for strategic leverage with neighboring countries. From this perspective, the Ankara-sponsored Caucasus Pact - the Caucasus Stability and Cooperation Platform (CSCP) - might be seen as the plan intent to both (re)stabilize the region and to exclude "outside powers" from taking part in resolving the Caucasus regional problems (7). There have been more additional tensions in the region coming from the possible NATO expansion to Georgia and Ukraine, the move which looks in the eyes of many Russian decision-makers like the confirmation of their worst fear of encirclement. The fear is that the U.S. and some other NATO members have decided to break up the strategic status quo in the Wider Caucasus Region, to bring the regional countries in U.S.-sponsored security system and thus guarantee the U.S. military presence in the South Caucasus - a strategic location in close proximity both to Russia and Iran. Moreover, there is growing concern that should Ukraine - the country with which Russia shares its historic naval base in Sevastopol - decide to continue its drive to join NATO, the Black Sea region could face an even greater crisis. In this context, Iran is seen by some commentators as the only big winner of the current crisis in which it does not clearly choose sides but has been acquiring a new status as a country many in the region want to have on their side (8).

In short, advocates of this first approach are trying to persuade decision-makers that a new - and tougher - geopolitical game is beginning in the Wider Caucasus - Caspian Sea region and in Eurasia as a whole.

A second widely-used approach for reading the current situation around the Baltic Sea is based on the geo-economics imagery. In short, the Black Sea region is seen as a complex overlay of various energy-related projects, and the current European and international concern over the region is explained by the ongoing harsh competition for energy resources and secure transportation routs for them. Some experts believe that the August 2008 clash between Russia and Georgia is at least in part exacerbated by a fight for control over the region's fossil fuel wealth. Proponents of this approach claim that the "Great Saga of Caspian hydrocarbon reserves" continues, and many actors have serious stakes in this energy security game. Turkey's goal has been to turn the country into a major energy transit hub, through which the Caspian fuel would be transported to the EU and other markets, and thus be an energy conduit alternative to Russia. At the same time, Russia supplies a considerable amount of gas and oil to Turkey, and that is why Turkey will be looking for suitable compromises with Moscow over energy projects - to accommodate some Russia's interests in the Caucasus. Russian policies in the region are seen as being driven largely by energy and economic considerations, and therefore the Russian behavior in August 2008 is understood as Moscow's attempt to through doubt on the security of any energy supply routs bypassing Russia. The European and U.S. interest in Georgia is primarily explained by the fact that this country has been almost a needle-eye for the pipelines bypassing Russia. Thus, engaging Georgia and other Caucasus and Black Sea countries is crucial to many actors' ambitions to construct multiple oil and gas pipelines traversing the "Caucasus transit corridor" and bringing Caspian hydrocarbons to the European and world markets. To further complicate the picture, it has been argued that the Caucasus crisis has once again confirmed that energy policy cannot be separated from the security policy in this region.

Third, although the debate about how hard security and energy calculations overlap in the wider Black Sea - Caspian region has been particularly pronounced, it does not completely overshadow one more, value-based interpretation of the August 2008 events. Supporters of this third approach insist that ideology and conflicting world views have been a major source of the August 2008 hostilities, and that the clash between democracy and authoritarianism was at the heart of the crisis. The Russia's involvement in the events is often portrayed as the attempt to overthrow a democratically elected Georgian government and to punish and ruin the country which has launched a series of EU-inspired reforms. It seems that President Saakashvili's decision to portray Russia as anti-democratic, anti-European and anti-EU country was a well-calculated move. After Georgia's Rose Revolution, both the United States and the European Union had been playing a crucial role in supporting Saakashvili's efforts at reform as well as Georgia's aspirations to move closer to the Euro-Atlantic institutions. But there came a point when many Europeans started questioning Georgia's credentials as a "beacon of democracy and Europeanization" in the wider Black Sea - Caspian region. Georgia's failure to secure a NATO Membership Action Plain at the NATO Bucharest Summit in April 2008 clearly demonstrated growing concerns about
Georgia in some European countries. Saakashvili needed - and got - the "CNN effect" to spotlight Georgia as a democratic and European nation repelling a dangerous act of Russian aggression and thus to appeal to European sympathies for Georgia. In its turn, the Russian government had been offering the public humanitarian slogans, reinforced by around-the-clock reporting on the humanitarian catastrophe in South Ossetia as a result of the Georgian attack. In addition, Moscow's rhetoric suggests a consistent effort to depict Mikheil Saakashvili as a totally irresponsible and adventurous person who nonetheless had the United States' unconditional support and military assistance. It seems that Russia has hardly succeeded in communicating this message to the European public.

But what is important to note is that the ways the August crisis rhetoric was constructed illustrate that the Black Sea region has been the a region where keenly contested symbolic battles still rage over the multitude of notions, including Europeaness, democracy, economic and cultural imperialism, subjugation, to list just few.

Forth, Georgia's decision to deploy its military to take control of South Ossetia has escalated just two out of many conflicts in the region. There is ethno-political poison in the Black Sea area stemming from the frozen conflicts and ethnic tensions, which involve every Black Sea country in one way or another. In August 2008, two of the Caucasus "frozen" conflicts - the South Ossetia and the Abkaza conflicts - became finally "defrosted", but relations between Armenia, Azerbaijan, and Turkey are still troubled by the "frozen" Nagorno Karabakh conflict, and between Moldova, Ukraine and Russia by the "frozen" Transnistria conflict. Moreover, there are predictions that, in the near future, the August conflict over South Ossetia is likely to continue to destabilize the region, and will negatively influence the North Caucasus, where the most dangerous tensions are between Ingushetia and North Ossetia (9).

The human consequences of the conflicts in the region have been profound. The Caucasus conflicts of the 1990s resulted in close to 100,000 deaths and estimated 2 600,000 refugees and internally displaced persons (10). Many people have decided to leave the region since migration has become for them a survival strategy (11). Many of those who decided to stay have been pushed into poverty or become totally dependent on remittances of relatives living outside the region.

The humanitarian cost of the August 2008 for both South Ossetia and Georgia has also been high. The exact toll in South Ossetia is disputed, with Ossetian sources claiming 1,700 fatalities, Human Rights Watch outing the number in the lower hundreds, and Russian sources declaring that nearly 20,000 refugees - about 28 percent of republic's population - crossed into Russia from South Ossetia. As for Georgian losses, some 238 Georgians were killed, almost 1,500 were wounded and over 100,000 displaced (12).

The conflict dynamics has been sustained by the lack of trust between people in the region which is sometimes compared to the Tower of Babel. Moreover, as a consequence of the August crisis many grievances which dated back to the wars of the 1990s have been reinforced by new grievances and new personal tragedies. A vicious circle of deep mistrust has undermined many attempts to create effective public administration and local government - the institutions which might prevent or mitigate further conflicts.

Divided by blockages and trade restrictions and with no self-sustained economies of their own, many areas of the region have fallen behind in terms of their overall development, even if some stabilization had occurred before August 2008. Moreover, the recent conflict has inflicted additional heavy damage on many in the region. It costs Georgia damage (buildings, military and civilian infrastructure) estimated to exceed 10 percent of Georgian GDP (around $1 billion) (13). There are speculations that the very same conflict has inflicted even heavier damage on tiny South Ossetia, estimated to exceed some $4.1 billion, nearly four times as much as Georgia has lost (14). It is clear that in the near future this newly proclaimed republic of South Ossetia will totally depend on outside funding. Armenia, heavily dependent on Georgian territory for its import and export operations since Turkey imposed blockage on Armenia to support Azerbaijan in the Nagorno Karabakh issue, suffered from the disruptions in the transportation networks cased by the August clashes between Georgia and Russia: the Armenian government estimated the total damage inflicted on Armenia's economy at $670 million (15).

Many observers predict more losses for the region arguing that in the aftermath of the August conflict - and in times of the ongoing financial crisis - hardly anyone would invest money in new projects associated with the Caucasus.
EU's Black Sea Policy: Looking ahead

The "guns of August" put many of the relations between Black Sea states under the additional strain. The August conflict has reignited the debate on the role of the EU in the region. The August events also clearly demonstrated that the EU does consider itself, and is seen by others, as a member of the Black Sea regional community.

Certainly, the EU shares some responsibility for August 2008. It could be criticized from a number of perspectives. Many analysts argue that the EU's recognition of Kosovo's February declaration of independence became a catalyst for the August events, as it dramatically changed calculations of those dealing with conflicts in the Caucasus. Second, the EU put concern for conflict resolution into the BSS documents, but its actual involvement in mediation efforts in the four frozen conflicts in the region had long been very low profile. The main exception was in the case of Transnistria, where the EU has joined the official negotiation table in the so-called 5+2 format. Finally, in the weeks leading up to 7 August, while the military build-up continued and warning bells sounded, the EU failed to prevent the crisis from escalating into all-out conflict, despite constant talk about conflict prevention.

With the agreement of 12 August, however, it was the EU - and its French presidency - that took a role of the principal diplomatic broker in the conflict, engaged in frantic shuttle diplomacy between Moscow and Tbilisi, first to reach the ceasefire accord and afterwards to bring the parties to talks. The EU called emergency summit - the first such meeting in six years - on several issues: a) on prospects of EU's relations with Russia, b) on the future of EU's policy toward the Black Sea region, c) on aid to those suffered because of the conflict.

1) Over the months after the summit, it becomes clear that instead of sanctioning and isolating Russia - measures being advocated by quite many politicians - the EU has decided to choose a more nuanced approach. Such a path back from the conflict will be a difficult one for all actors involved. For the EU, the next year is likely to be characterized by much less activism on the international scene. Very few expect that the next Presidency will easily catch up with the unprecedented level of activism set up by the French. With the end of the terms of both the European Parliament and Barroso Commission so near, EU institutions will be likely preoccupied with the tricky task of salvaging the Lisbon treaty. Furthermore, the threat of a global economic "recessionary spiral" will certainly absorb much attention and time of EU policy-makers. However, the EU will have to find prompt answers to many fundamental questions on matters regarding the security of the entire European continent. For the EU, it will require adopting a long-term, and much more coherent, strategy for promoting inclusive European security and responding to the recent Russian initiative advocating a new pan-European security architecture. This, in its turn, will require the EU to check whether its European Security Strategy (ESS), adopted in 2003, has become outdated or not. It will also require the EU to start a real and profound dialogue with Russia and others neighbors about the new rules of the game as well about the use of force by the EU, Russia, or any other state in the common Russia-EU neighborhood. Finally, it will require the EU to start discussions with the U.S., Russia and all European countries about if, and how, Georgia could be rehabilitated and Ukraine could be secure outside of the NATO framework.

2) It also becomes clear that the EU has decided to strengthen its Black Sea Policy. The EU's strong intention is to step up its relations with neighbors in the Black Sea Area through the ENP. Yet, the Black Sea Region contains several countries - Ukraine, Moldova and Georgia especially - that are deeply disappointed at not being granted a "membership perspective" by the EU. Therefore, the task for the EU is to offer them kind of compensatory mega-incentive to converge on the EU's political values and economic structures, norms and standards. It is the Eastern Partnership that is designed to add energy and coherence to EU's relations with its Eastern Neighborhood states as well as to the relations between the neighbors themselves.

On 3 December, the European Commission publicized its Eastern Partnership (EaP) policy documents. The fifteen-page Communication to the Council (16), accompanied by another twelve pages describing potential subjects for work and possible initiatives with the six eastern ENP partners. This newest EU policy proposes signing an upgraded version of agreements - "Association Agreement" with 5(6) ENP partners (Armenia, Azerbaijan, Georgia, Moldova, Ukraine (and Belarus) in the next few
years, which, once again, would acknowledge the European identity and aspirations of these countries (yet, again without granting a clear "membership perspective" (17). Although it may have disappointed many in the region, by not promising them a "membership perspective", the EaP contains several new dimensions compared to ENP. The EaP documents confirm that the EU has now embarked on a policy of negotiating "deep free trade" agreements with all the Eastern Neighborhood states. This policy aims at establishing "a single deep and comprehensive Free Trade Area, providing the basis for the development of a common internal market", resembling the European Economic Area (EEA). This naturally leads to the idea that at some stage the six states will be required to take over the entire acquis communautaire. The EaP also provides clear, and detailed, suggestions as to how to deepen the energy cooperation with the Eastern ENP countries. The EaP presents itself explicitly as a political message of EU solidarity, and advocates the multilateral track of regional cooperation considerably more politically than in the previous, largely technical ENP documents (18). The Eastern Partnership is also aimed to create visa free travel in the long-term, and to raise the EU's spending in the region to €350 million extra up to 2013 (with "consideration" of more funds in the next EU budget).

3) It is not clear yet if, and how, the EU will use its new ENP-EaP instruments to solve the current Caucasus conflict and the two still frozen conflicts in Nagorno Karabakh and Transnistria. There are some voices advocating for EU's direct, although without political recognition, contacts with South Ossetia and Abkhazia. The main argument put forward is that while South Ossetia and Abkhazia have realized their dream of being recognized as independent states, their future does not look bright. They are unlikely to be recognized by many countries; international companies and organizations will be unable to operate in the republics, as the legality of such operations could be questioned, and therefore South Ossetia and Abkhazia may follow the example of North Cyprus (19). Thus, the EU should find ways to cooperate directly with Tskhinvali and Sukhum in order to help them to overcome their isolation and overdependence on Russia. Certainly, such a strategy of direct engagement with South Ossetia and Abkhazia would require admitting that, after the events of August 2008, Tbilisi's claim of territorial integrity have turned into mere rhetoric. Certainly, such direct contacts may be blocked, although for very different reasons, by both Georgia and Russia. But the previous approach to resolving the conflicts has failed, and for the EU, which put forward the policy aiming to enhance security in the region, it is important to build up a new strategy and new formats that could create effective and neutral process for bringing reconciliation and peace into the Black Sea region.

Having a more neutral format for rehabilitating the regions suffered from long-lasting conflicts is not some abstract concern, but one that has very real operational implications and needs fresh thinking about how to effectively use many policy instruments currently at the EU's disposal. In the aftermath of August, the opportunity to engage the parties in pursuing cooperative projects is likely to be limited. Almost all issues in the region have been highly politicized. Nevertheless, new formats need to be found to start step-by-step post-conflict reconstruction.

It is important to develop those regional initiatives which may bring together different categories of Black Sea regional actors. It is important to find ways to design and implement joint EU-Russia initiatives for the Caucasus region, the region where nearly all conflicts in the South Caucasus are closely connected with conflicts in the North Caucasus and vice versa. It may be possible to launch and support joint projects at local level, where parties can in principle have similar objectives, and which can be effectively depoliticized. In addition to macro-projects, which the EU usually favors, there may be a series of EU-supported micro-projects - for example, aiming to guarantee the secure return of internally displaced persons to their homes, aiming to solve local environmental problems, to effectively and efficiently deliver public services.

In the aftermath of the recent Caucasus conflict it becomes obvious that the Black Sea Region presents a challenge for the EU. Many regional actors lose, rather than gain, from the region's important geopolitical position. The challenge for the EU is to gain rather than lose from entering this complex region. But it is also clear that the Black Sea Region presents a test for the EU - for the EU's ability to construct transformative and institutional regionalism not only for its member-states but also for its close but troubled neighbors.
ANNEX 1.

The European Commission’s list of main cooperation areas for Black Sea regional initiatives «Black Sea Synergy – a New Regional Initiative», April 2007:

1. Democracy, respect for human rights and good governance.
2. Managing migration, improving border management.
3. More active political involvement in the frozen conflict.
4. Energy supply diversification, legal and regulatory harmonization through the Baku Initiative, the ENP framework, and the EU-Russia Energy Dialogue.
5. Transport corridors, support for a number of transport projects already identified, and regulatory harmonization in the sector.

7. Black Sea maritime policy, aiming at job creation in the sector and increased safety of shipping.
8. Fisheries, to ensure sustainable and responsible use of fisheries resources.
9. Trade Policy, advocating approximation of trade-related policies on EU standards and WTO access for those Black Sea countries not yet there.
10. Research and education networks, providing high-speed connectivity between research and education communities, introducing on-line services, and promoting regulatory harmonization.
12. Employment and social affairs issues, such as fighting poverty and social exclusion, promoting integration of ethnic minorities.
13. Regional development, with some financial support from the EU and using Bulgaria and Romania’s relevant experiences.

BIBLIOGRAPHY:

3. "Variable geometry" approach was actively advocated by the Center for European Policy Studies (CEPS) in its unofficial Black Sea Synergy proposal as early as in 2006, see Fabrizio Tassinari, A Synergy for Black Sea Regional Cooperation - Guidelines for an EU Initiative, CEPS Policy Brief No. 105, June 2006; also see Michael Emerson, "The EU’s New Black Sea Policy".
After the fall of the Berlin Wall twenty years ago, there were considerable changes in the ideological, political, military and economic spheres. Black Sea countries which used to be divided by the Black Sea became a part of a new international reality. The United States role in the region started to be more visible, especially after September 11, 2001. The enlargement of both NATO and European Union influenced significantly on the countries' behavior in their relations with each other and international actors. The rise of prices for energy gave Russia new tools to shape their strategy in the international arena and specifically in Black Sea Region which Russia still considers its “zone of responsibility”. Moscow attempts to control former Soviet Republics and resist attempts, mainly of the United States, to bring those states into the Euro-Atlantic security and economic structures. In a word, the Black Sea is a region where we could see many forms of cooperation. However, this potential is not fully exploited. There are many reasons for that: from the different approaches of the six coastal countries on security and stability in the region to the historical legacy and difficult process of reform towards democracy and market economy. In addition, the states are faced with a form of cooperation that tends to frustrate the efforts to enhance security cooperation. The same is true in economic cooperation, especially in the energy field. The Black Sea Area is on its way to becoming a region so it could be a recognizable part of Europe as Baltic states, Balkans or Mediterranean.

The Wider Black Sea Area is a region with several sub-regions. It is more a heterogeneous region, or it might even be described as a multifaceted ‘network’. It comprises not only its littoral states (Turkey, Russia, Bulgaria, Romania, Ukraine, Georgia), but also adjacent ones, such as Greece, Moldova, Azerbaijan, and Armenia. These countries belong to other regions as well - the Southeast Europe, Caucasus, Central Asia, and Mediterranean. The Wider Black Sea Region also illustrates structural heterogeneity due to the diverse links of each country with the EU and other international organizations that bear significant impact on domestic and foreign economic policies such as NATO or EU.

But before talking about Black Sea Region, I would like to give several examples of sub-regional cooperation and European integration. Svetlozar Andreev, in his article “Sub-regional cooperation and the expanding EU” correctly notes that, historically, the sub-regional cooperation has always been part of the European political landscape. The Benelux (Belgium, Netherlands and Luxembourg) was the first post-Second World War truly regional organization, whose members created a Customs Union as early as in 1947. Later on, the three Benelux countries were at the heart of the European integration process and they became cofounders of the European Coal and Steel Community (1951). They were also among the ‘original six’ who signed the Treaty of Rome (1957) that gave birth to the European Economic Community (EEC). In a similar vein, the Nordic Council has been a long-standing example of an enhanced interstate cooperation in the northern
part of Europe. This organization was active in numerous policy spheres throughout its existence, but, primarily, it has been responsible for promoting multilateralism among the Scandinavian and other North European countries. During the last 15 years, the Nordic Council has been involved in three important projects: in assisting the post-communist transformation of the Baltic states, in helping the majority of its members to join the EU (in 1995 and 2004) and, recently, in promoting the 'Northern Dimension' in an enlarged EU.

A fairly high number of regional and sub-regional cooperation organizations were established following the demise of the communist regimes in Central and Eastern Europe. Many of these arrangements were organized as 'clubs', based on the exclusionary sub-regional identity of part of the CEE countries and depending on the progress made by individual applicant states towards EU accession. Such were, for instance, the Visegrad and the Baltic-3 regional groupings. The same is also true of the Central European Free Trade Area (CEFTA) before it gradually opened-up to other accession countries like Slovenia (1996), Romania (1997), Bulgaria (1999) and Croatia (2003). Part of the sub-regional initiatives in Central and Eastern Europe were deliberately promoted by individual West European countries. This was mainly done in order to facilitate the transition of the post-Communist countries to democracy and market economy, as well as to encourage trans-border cooperation and good neighborhood relations. For instance, Italy and Austria launched the Central European Initiative (CEI) during the early 1990s, while further north, the Cooperation Council of the Baltic States was predominantly sponsored by Germany and the Scandinavian countries. In the Balkans, Greek diplomacy was very active in creating the first broad-based regional organization, the South East European Cooperation Process (SEECP).

Having been started during the mid-1980s and revived in 1996, this initiative has explicitly prioritized multilateralism and regional ownership.

The Black Sea lays on crossroads. The countries which are part of this region used to belong to different civilizations. Ten years ago, nobody was talking about cooperation because the region was not in existence. The CIS countries were still struggling, trying to restore the broken economic ties. Romania and Bulgaria were busy working on integration with Europe. Cooperation, in a broad sense of this word, was not regional because national interests always prevailed. The countries which wanted to act as a regional body were usually weak and were trying to get their common interests protected. Let's take as an example GUAM (Georgia, Ukraine, Azerbaijan, Moldova). It was created as an international alliance to make Russia withdraw its troops from those countries. However, the GUAM agenda included everything - from political consultations to energy, trade and military-technical cooperation. However the statistics showed that the import-export within GUAM countries was minimal compared to other states. Another example about GUAM: its members failed to demonstrate unity in the positions after Georgian war in August 2008. Moldova and Azerbaijan were not very enthusiastic about the plans to develop its own peacekeeping capabilities to replace existing Russian and CIS peacekeepers in zones of conflicts. It looks like Moldavian President Voronin is probably ready to defect GUAM. This is exactly what President Karimov did in 2003-2005, when he gradually withdrew Uzbekistan from this organization to improve ties with Moscow, by realigning his foreign policy away from its previous western orientation.

There are three major factors that shape the cooperation in the region:

a) The mainstream European integration – NATO and EU enlargements.

In 2005, Bulgaria and Romania became NATO countries. However, after the Bucharest Summit 2008, it became clear that Georgia and Ukraine cannot count on receiving Membership Action Plan (MAP) in the near future. Moreover, the war between Russia and Georgia in August 2008 put Georgia in such a position that now, even President Saakashvili, doesn't believe that Georgia could get membership. In his interview to The Wall Street Journal he told that his "country's hopes of joining NATO are "almost dead". Before the August war, Mr. Saakashvili spoke confidently of his country's accession to NATO and the European Union, and its imminent reunification with the two breakaway regions -- South Ossetia and Abkhazia. Now, the President says achieving all three goals seems unlikely, any time soon.

As to Ukraine, another country with a "color revolution", it became a victim of a power-struggle
between the President and the Prime-Minister. The current political and economic situation in that important country makes Ukraine ineligible for both NATO and EU membership, in foreseeable future.

b) A consortium of institutions and initiatives in the region.

There are some organizations with interests that are coming with visions of a Black Sea region that are unequal and differently focused. Community of Democratic Choice (CDC) and Black Sea Forum for Dialogue and Partnership are good examples. We can talk about them later in more detail.

c) Strong lobby from private Western organizations.

The German Marshall Fund was very active in promoting the regional approach to Black Sea Region. Together with Transitional Democracies they used high exposure events and publications before three previous NATO Summits in Istanbul, Riga and Bucharest. With their help, and with support of US Government, a new organization was established. The Black Sea Trust with $20 million to support Black Sea Regional cooperation (mostly East to East projects). This Trust is located in Bucharest and is also supported by Romanian government. This initiative is a replication of successful Balkan Trust for Democracy (BTD), a $30-million fund that has given out millions in grant money toward promoting regional cooperation and reconciliation, civil society development, and democracy-building ideas and institutions throughout the Balkans.

The EU is already a Black Sea actor and, at the same time, the region has also become a natural new Eastern neighborhood. EU aspirations reflect the same objectives of the transitions in Central, Eastern, and South Eastern Europe - to extend the European space of peace, stability and prosperity based on democracy, human rights and rule of law. This vision is an integral part of the European Security Strategy which was adopted already before the EU reached the shores of Black Sea. However, the interaction with the Black Sea Region is much more challenging for the EU than its recent experience with Central, Eastern, and South Eastern Europe.

Since 2006, the EU has European Neighborhood Policy (the so-called 'ENP Plus') to give the EU more leverage on its neighboring countries. Within the ENP Plus is the new initiative crafted to find a new model of cooperation with the region - Black Sea Synergy. It is called Synergy-rather than strategy-because the EU already has different strategies with individual countries in the region. The use of this term indicates that the EU will try to pull together different inputs, lessons and bilateral initiatives within this new regional framework, rather than create a whole new policy.

What are the main obstacles in this policy?
1. EU's new Neighborhood Policy puts together an extremely heterogeneous group of countries and offers them all roughly the same deal.
2. The other obvious stumbling block is Europe's very awkward partnership with Russia. The EU and Russia speak of their relations as a 'strategic partnership' however, it doesn't exist in reality. Russia quite clearly does not seem to take EU institutions very seriously and prefers to discuss matters with individual member states. That gives Moscow an ability to divide and rule. Moreover, Russia is trying to have separate deals with individual European countries (mostly for energy supply) making it difficult for Brussels to come up with a comprehensive strategy supported by all EU members.
3. The last reason as to why the EU decided to move into the Black Sea Region is because of a number of homegrown regional initiatives. The most important is the Black Sea Economic Cooperation (BSEC) initiative. The operational impact of the BSEC has been limited, due to its arrangement as a forum for dialogue, and, because of the competition among the members of the organization. The BSEC, which remains a product of a joint Greek-Turkish initiative, has caused other countries around the Black Sea to launch parallel initiatives in the region. Among the most important of these parallel initiatives is the Community of Democratic Choice (CDC), which was launched by Ukraine and Georgia, and the new Organization for Democracy and Economic Development GUAM. The aim of these organizations is to spread democracy and freedom from the Black to Baltic Sea Regions. They have not been successful due to their lack of resources and political will. The problem with these parallel initiatives is that countries involved in them often overlap and promote several organizations in the same regional area.
What models could the European Union use to foster regional cooperation in the Black Sea region? The EU is not new to launching regional initiatives in its neighborhood. In his article "A Synergy for Black Sea Regional Cooperation" Dr. Fabrizio Tassinari mentions three regional initiatives.

The first EU regional initiative is the Euro-Mediterranean Partnership with the Mediterranean countries in the south. The Barcelona Process, as the partnership is also known, has had an enormous advantage of sponsoring dialogue and confidence around the region. The EU has been successful in promoting social and cultural initiatives to link the northern and southern regions of the Mediterranean and has tried to provide a holistic approach to regional security interdependence. However, these strengths have also been a liability, as they hampered the role of the EU on the political and security side. The policy has been ineffective because the geographical area it works in is heterogeneous and substantial political consensus has been rarely forthcoming. This regional context is, in some respects, comparable to the one in the Black Sea Region, with a huge, heterogeneous area where some bilateral relations remain tense and others are 'frozen' by ongoing conflicts.

The second model, which has been more successful than the Euro-Mediterranean Partnership, is the Stability Pact for South-East Europe. The success of the Stability Pact is due to its ability to coordinate international actors and donors in the Western Balkans. It has had the advantage of sending a very strong signal to the region, and to Europe, that it cares about the Balkans and that it was going to pull together all of its resources, and efforts, to make it succeed.

The third model is the Northern Dimension Initiative. This model is important for two reasons. The first reason is that the initiative is the result of a bottom-up process. There has been a plethora of regional initiatives in the Baltic Sea Area before the EU got involved. Therefore, when the EU launched the Northern Dimension it could complement what was already going on there. The other major asset of this initiative is that it includes Russia. This perhaps constitutes the only reason for keeping the Northern Dimension alive since the other members are now members of the EU and NATO.

In May 2009, the European Commission launched a new initiative in Black Sea Region titled "Eastern Partnership" (EaP). It offers both bilateral and multilateral measures for enhanced cooperation, and it goes beyond the ENP with the view to putting at least some of the partners on the path to EU membership. This by itself is the strongest incentive given to the states. It has increased funding. Indeed, there is a substantial increase from €450 million in 2008 to €785 million in 2013. That amounts to a supplementary envelope of €350 million in addition to the planned resources for 2010-2013.

EaP main initiatives are: i) an Integrated Border Management Program; Small and Medium sized Enterprise Facilities; iii) Regional electricity markets and energy efficiency; iv) a Southern energy corridor; v) Prevention of, preparedness for, and response to natural and man-made disasters.

Regional cooperation can be fostered by initiatives of the member countries of any given region or might be inspired by external actors such as NATO and EU. Countries of the Black Sea sometimes put themselves in different regional dimensions: Eastern Europe, Caucasus, South Eastern Europe, Caspian Region and CIS. They feel different and keep their different approaches. Even if they aspire to join the Transatlantic framework, in many occasions they still regard regionalism only as a way to serve national interests.

So what is regional strategic cooperation and does it exist in Black Sea Region? Regional security partnership is the security arrangement of an international region that originates from inter-governmental consensus to cooperate on security threats, and, the enhancement of stability and peace in the region, by making use of different types of agreements, instruments and mechanisms such as formal security treaties, international organizations, joint action agreements, trade and other economic agreements, multilateral dialogue processes, peace and stability pacts including confidence-building measures, measures of preventive diplomacy, and measures dealing with the domestic environment. Briefly, the security arrangement of the region is an arrangement of co-management, and all the countries contribute as partners within a composite framework of institutions and practices. As long as a security partnership develops, the security cultures and policies of the countries of the region will come closer to one another, and a security community can emerge. Does that apply for Russia and
Georgia or Armenia and Azerbaijan, or Moldova and Romania? Probably it doesn't. That proves that the region doesn't have enough regional strength.

One of the reasons is that many Black Sea countries use regional cooperation mostly as a jumping board to premium clubs NATO and EU. However, now that NATO and EU took a time out the Black Sea countries should be more practical in the sense of regional approach.

The so-called frozen conflicts in the Black Sea constitute another serious obstacle in the path to stronger cooperation. There are present solutions for all of them: Transnistria in Moldova, Abkhazia and South Ossetia in Georgia and Nagorno-Karabakh in Azerbaijan. Russia plays a decisive role in the peaceful resolution of those conflicts. However, the event of last August clearly illustrates that military action still represents the quickest way.

Despite negative trends, there are many positive examples of regional organizations. One of the most successful is the Black Sea Economic Cooperation (BSEC). It was established in 1992 by initiative of Turkey and Greece. It is supposed to be a model of multilateral political and economic initiatives aimed at fostering interaction, and harmony, among the Member States, as well as to ensure peace, stability and prosperity, encouraging friendly and good-neighborly relations in the Black Sea Region. This is the only full-fledged organization that includes all littoral countries, including Russian Federation. However, this membership has not been restricted to countries which have access to the Black Sea: Albania, Armenia, Azerbaijan, Greece, Moldova, and Serbia do not have a coastline on the Black Sea. BSEC has a financial institution. The Black Sea Trade and Development Bank (BSTDB) was formed in 1997 to support economic development and regional cooperation by providing trade and project financing, guarantees, and equity for development projects supporting both public and private enterprises in its member countries. Objectives of the bank include promoting regional trade links, cross country projects, foreign direct investment, supporting activities that contribute to sustainable development, with an emphasis on the generation of employment in the member countries, ensuring that each operation is economically and financially sound and contributes to the development of a market orientation.

Another example of regional cooperation is the Black Sea Naval Co-operation Task Group (BLACKSEAFOR). It was created in early 2001, under the leadership of Turkey, with the participation of all other Black Sea littoral states.

The original purpose of BLACKSEAFOR was to promote security and stability in the Black Sea maritime area and beyond, strengthen friendship and good neighborly relations among the regional States, and increase interoperability among those states' naval forces. Soft security efforts and military activities, in addition to political dialogue, are being pursued in this framework. Search and rescue operations, environmental protection, and mine-clearing were among the initial activities of BLACKSEAFOR. After the terrorist attacks in the USA on September the 11th, 2001, BLACKSEAFOR's area of responsibility expanded to include the fight against terrorism. Littoral countries are still working on BLACKSEAFOR's transformation process, in order to better adapt the force to the new security environment.

There are some examples of regional cooperation which were initiated and supported by the United States. It is interesting to mention that the interest of the United States in the Black Sea actually goes back a very long way. One of the founders of the United States Navy, John Paul Jones, served on the Black Sea as an Admiral in the fleet of the Russian Empress Catherine the Great. This was perhaps the first example of naval cooperation between a Black Sea nation (in this case Russia) and the United States. It's an early illustration of how the US and Russian histories and interests have been connected.

One of the initiatives supported by US State Department is Southeast European Cooperative Initiative for Combating Trans-border Crime (SECI Center). It is a unique operational organization which facilitates the rapid exchange of information between law enforcement agencies from different countries regarding trans-border criminal cases. The world "facilitates the rapid exchange of information" are in bold, and, that is exactly what we try to achieve here. The SECI Center's network is composed of the Liaison Officers of Police and Customs Authorities from the member countries, supported by twelve National Focal Points (NFP) established in each
member state. The NFP representatives stay in
permanent contact with the liaison officers in the
headquarters and keep close relationships with
the police and customs authority in the host
country. Unfortunately, not all Black Sea coun-
tries participate in this organization - i.e. Russia
and Ukraine. That leaves a large part of Black Sea
coastal line without control.

There is another organization which also pro-
vides information about illegal activities in the
Black Sea. The Black Sea Border Coordina-
tion and Information Center (BSBCIC). It was estab-
lished in 2003 and is based in Bourgas, Bulgaria.
Its main mission is to develop cooperation and
interaction between the border/coast guards of
the Black Sea countries for counteracting trans-
border criminality and terrorism as a guaranty for
security and stability development in the Black
Sea Region. For some reason, it's not linked to the
SECI Center, despite the fact that they have the
common goal in providing border security. Also,
both organizations don't focus on terrorism or
non-proliferation in the region.

Another US supported initiative is Black Sea
Strategy of Defense Threat Reduction Agency
(DTRA). In the initial stage, it foresees a series of
conferences in the region to bring together repre-
sentatives from Black Sea counties who work on
non-proliferation issues. The goal of the workshops
is to promote discussion among regional partners
regarding the need to improve information
exchange, and ways to bring about improvements
in the process of threat assessment.

There is another program that is funded by the
US Department of Defense. It is called Black Sea
Civil Military Emergency Preparedness Program.
The purpose of this program is to promote inter-
ministerial and international cooperation in mitiga-
tion and emergency planning in the Black Sea litt-
oral nations.

The major problem is that the US Government
doesn't have a comprehensive policy toward the
region, even if some of its agencies try to have a
regional approach. Another drawback of those US-
led initiatives that Russia regards them as anti-
Russian and therefore doesn't participate in any of
those activities. One example could serve as a good
illustration. When in 2006 the Romanian
Government launched the Black Sea Forum for
Partnership and Cooperation, Russia refused to par-
ticipate. Only the Russian Ambassador attended the
opening session.

In the conclusion let's highlight some of the
major points that characterize the current situation
with the cooperation in the Black Sea Region.

At present, regional cooperation and synergies
in the Black Sea Region clearly lack sufficient lead-
ership that would be necessary to bridge the obvi-
ous lack of converging interests of the countries.
Thus, a stronger institutionalized coordination
mechanism would be helpful. A strong commit-
ment by the EU and its member countries, in par-
ticular its EU Black Sea states, accompanied by vis-
ible regional projects and programs, is essential.
Considering Russia's undeniable role as a regional
power (albeit lacking a regional strategy of its
own) and the recent reinvigoration of Turkey's
regional role, proper engagement of both coun-
tries would be equally essential.

The complementarity and division of labor
among the key formats for regional cooperation -
EaP, BSS, Black Sea Economic Cooperation (BSEC),
etc. - require further attention, clarification and
elaboration. The EU and other organizations should
focus on flagship projects with regional ownership,
and a bottom-up approach responsive to the
region's shared objectives. This would increase the
potential for synergy, rather than a top-down grand
strategy of overly ambitious agenda's that eventual-
ly fail to produce much-needed tangible results for
the Black Sea countries. Sectoral partnerships
around areas such as transport, energy, and envi-
ronment seem to be most promising.

As external actors are eventually caught by the
existing conflicts in the region, conflict resolution
should be integrated into any regional approach.
While new approaches to some of the conflicts
experienced over the last year are quickly caught
up by realities, negligence cannot be afforded
either. In this context, Russia's role as a "hybrid
actor" poses particular challenges.

Some issues cannot be solved bilaterally - envi-
ronment, pandemics, transport, migration, organ-
zized crime etc) - it can only be dealt successfully
in a regional format.

The Black Sea is still a region in the making and
needs time and good governance to become a suc-
ness story of regional cooperation. ■
Before talking about the current situation of the "frozen conflicts" we need to agree on terminology that we would use when we talk about conflicts in Eurasia. A number of "frozen conflicts" exist in Europe, e.g. Kosovo, Northern Cyprus, however, only four conflicts in Eurasia are normally called frozen. Unfortunately conflicts do not freeze. This is just an euphemism we all agreed to use for simplicity. They constantly smoulder and an extra spark could lead to dangerous consequences as we witnessed in August of 2008. What is, in reality, "frozen" is the conflict settlement. The term frozen conflict is usually associated with such terms as "self-proclaimed", "uncontrolled", and "unrecognized". Recently, some experts have started to use the terms "secessionist conflicts", "dormant conflicts" and "protracted conflicts". No matter what we may call them, they not only affect regional stability but also pose a serious threat to international security and may even lead to global confrontation.

In this paper I will try to describe the broader security environment and provide an overview of the external, and internal, factors that led to new developments in "frozen conflict" zones. I shall also try to analyze the internal situations of the countries within which "frozen conflicts" exist, as well as the reaction of neighbouring countries to the war in Georgia in August 2008. Later, I will focus on Russia's role in the "frozen conflicts".

The EU and NATO enlargements brought those organizations closer to the "frozen conflicts" and how the EU and NATO might help in finding a feasible solution, if any, will therefore also be analysed.

So, what are the conflicts? They are Transdnistria in Moldova, Abkhazia and South Ossetia in Georgia, and Nagorno-Karabakh in Azerbaijan. All of these countries are members of GUAM. It appears that the only GUAM country without a conflict is Ukraine. However, I would argue that Crimea, and particularly Sevastopol (which has its own status), might be called potential or deep "frozen conflicts".

We live in a Westphalian world in which the main actors are sovereign states. For this reason, the goal of many national movements is to become recognized as states. De facto all of them have certain state attributes - population, territory, laws, governmental structures, elections, state insignia and, in some cases, their own currency.

Historically, the Wider Black Sea Region has always been a battle field for the external powers. Today we see the same. The United States, NATO, EU, all of them have legitimate interests in that part of the world. So what happened in Eurasia over the past year? Militarily, there has been a war between Russia and Georgia. In political-geographic terms, CIS borders had been revised for the first time since the breakup of the Soviet Union. Two new states had been recognized, making Kosovo the exact precedent Russia promised it would be. Economically, we have had the worst economic crisis ever witnessed. Also noteworthy is the new gas war between Moscow and Ukraine that left half of Europe without heat.
Let us start with a brief description of the conflicts' history.

**Transdnistria**

The major players in the conflict involving the breakaway Dniester Republic (Transdnistria) are the internationally unrecognized authorities of Transnistria, the government of Moldova, with its troops stationed in the Transnistria security zone. The former Soviet 14th Army (now controlled by the Russian Federation), is now called Dniester Operative Group of Russian Troops. It has about 2,500 troops stationed there. The Russian government claims that they are "peacekeepers" but, in reality, they provide support for the Transnistria leadership. In contrast to the other "frozen conflicts" in the South Caucasus, the Transnistria "frozen conflict" is the only non-ethnic conflict in Eurasia.

With the demise of the Soviet Union, the Moldovan National Front called for reunification with Romania. However, Transnistria was never part of Romania. It has a different historical identity. The Russian-speaking population of Transnistria was alarmed when the Moldovan language was changed to Romanian and the Latin script was put in use rather than Cyrillic. When Transnistria proclaimed independence, a short conflict took place in the spring and summer of 1992 between Transnistria militiamen and the Moldovan army. Both sides suffered approximately 500 casualties. The war ended when the 14th Russian Army intervened on behalf of Transnistria. In October 1994, Moldova and Russia signed an agreement, according to which, Russian troops were obliged to leave Moldovan territory three years after its ratification. However, the Russian Duma refused to ratify that agreement and as a result, the troops still remain stationed there. The Joint Control Commission (JCC) was established to maintain the ceasefire. At least for the last 9 years there were no causalities.

The OSCE oversees the gradual withdrawal of Russian military equipment and personnel from Transnistria. Until recently, the negotiations were held in a 5-party format: Moldova, Transnistria as conflict parties, Russia, Ukraine and OSCE as mediators. In October 2005, the United States and EU became observers and it changed to a 5+2 format. The Moldovan President Vladimir Voronin and Transdnistrian President Igor Smirnov met in the town of Bendery, for the first time in seven years. Both leaders stated their willingness to negotiate, but each one approached the issue differently. Voronin wants to follow the 5+2 framework and Smirnov insists to keep only Russia, Ukraine and the EU as guarantors. In reality, the 5+2 format does not work. According to Moldovan experts, it has been replaced by a 2+1 format: Moldova, and Transdnistria with Russia as mediator.

The most important development of 2009 took place after the parliamentary elections in Moldova. On 5 April, the Communist party got 61 seats in the Parliament - not enough to form any coalition. That would have given the right to elect the next President without making a coalition with opposition. The results caused riots in Chisinau. The police did not do anything to stop the protesters - mostly young people. However, the police started a brutal prosecution of those in the coming days. In any case, the votes were recounted, and the recount resulted in the Communist party losing one seat. This forced it to enter into a coalition with other parties. So far, the president has not been elected because of the lack of votes in the Parliament. As a result, new parliamentary and presidential elections are scheduled to take place in late July 2009.

The results of the referendum in Transnistria in September of 2006 expressed a willingness to join Russia. Almost 98% voted for that choice. The international organizations such as OSCE, European Union, GUAM and some countries did not recognize the referendum. Despite the willingness of Transnistria, Moscow states it does not want a "second Kalinin-grad". Russia's current strategy is the "Transniestialization" of Moldova - creating a Republic of Moldova unequivocally dependent on Russia.

Earlier this year, The Economist noted, "a settlement of the Transnistria dispute would nudge both Moldova and Ukraine closer to Europe. It also would win Russia a friendly outpost on the edge of EU. Yet the Russian stubbornness has been matched only by European indifference."

**Nagorno-Karabakh**

Since the fall of the iron curtain, the status of the Nagorno-Karabakh Republic (NKR) has been the main source of conflict between the Armenian, Azerbaijani governments and the leadership of the
self-proclaimed NKR. A large ethnic Armenian population lives in Nagorno-Karabakh and it resents the extent of Azerbaijani influence in the area. The collapse of the Soviet Union triggered a resurgence of ethnic sentiment. It was met by military suppression. In 1991, heavy fighting broke out between Armenian and Azerbaijani forces. The fighting enabled the Karabakh-Armenian forces to establish control over Nagorno-Karabakh and seven surrounding districts, which they claim as a security zone. The region of Nagorno-Karabakh has since seen the build-up of a state-like entity. It contains elements that insist on full independence from Azerbaijan. Since 1992, peace negotiations have been brokered by the OSCE's 'Minsk Group', co-chaired by Russia, France and the US. Despite regular meetings, the sides have yet to reach a peaceful consensus on the future status of the republic.

The recent meetings between Presidents Aliev and Sarkisian did not bring any results. Many experts think Baku is considering different options; one of them is to move from strategic relationship with Turkey to Russia. One positive result of the Russo-Georgian war is that the leadership of Azerbaijan decided to "cool down" its militaristic rhetoric toward Armenia. By witnessing the defeat of Georgia, Baku no longer appears so certain that it should bring back disputed territories with military force. In previous years, the Azeri leaders permitted themselves to publicly announce such a stance. In 2006, President Aliev told a reporter, "Our policies must be aggressive. We must be ready for war" (AFP, October 2, 2006); and in 2007: "We are ready for a military operation at any moment" (Kavkazskiy Uzel, 2 July, 2007) and, in 2008, "The Azerbaijani army is the strongest in the region and is able to liberate its lands" (18 April, 2008). In his 2009 New Year's address he said, "Only the first stage of the war has ended, we must be prepared to free our lands by any means and at any times. Minister of Defense Abyev was even more precise: "The chance of war is close to 100%" (AP, 26 November 2007). However, experts agree that Baku does not have any chances for a blitzkrieg and would lose in a long war. Some Azerbaijani strategists offer another concept - the so-called "limited revenge".

The opening of the border with Turkey would allow Armenia to increase its cooperation with Iran and to become an important energy corridor for Iranian energy. Russia would gain from that because of the presence of Russian energy companies in the Armenian market.

Abkhazia

After achieving independence from the Soviet Union in 1992, a civil war erupted in Abkhazia, Georgia. It displaced hundreds of thousands of people. Amid mounting nationalism among Georgian ethnic groups, the ethnic Abkhazians in Georgia's northwestern region of Abkhazia declared independence. Fighting broke out after Tbilisi deployed troops to that area in August of 1992. With Russian support, the separatist forces succeeded in expelling Georgian forces from the region. As a result, approximately 250,000 ethnic Georgian civilians were displaced. In 1994, that ceasefire resulted in Abkhazia's de facto independence, and the line of control monitored by CIS peacekeepers and UN observers was established. Tacit Russian support for the separatists has always been a complicating factor in the already tense situation.

South Ossetia

As a result of Soviet ethno-feudalism, South Ossetia enjoyed a special autonomous status. The conflict between the Georgian government and South Ossetian separatists erupted following the collapse of the Soviet Union. Increased Georgian nationalism collided with South Ossetian demands to be unified with North Ossetia in Russia. In 1990, some local ethnic Ossetian elements declared independence of the enclave. In response, Georgia abolished South Ossetia's autonomous status. Violence broke out in 1991. It resulted in thousands of casualties and tens of thousands of internally displaced persons. In 1992, Russian President Boris Yeltsin mediated a ceasefire and Russian peacekeepers were deployed in the ethnically-mixed conflict zone. While Georgia has pushed for a peaceful solution, the Russia-supported South Ossetian de facto separatist government has stuck to its demand for independence, refusing any sort of autonomy within Georgia.

The provoked attack of Georgia on Tskhinvali on August 8, 2008 led to a 5-day war that ended with the recognition of both Abkhazia and South Ossetia's independence by Russia (and later Nicaragua only). Currently, Russia has about 3,700
troops in Abkhazia and about the same number in South Ossetia.

Let us now consider how the neighboring countries have reacted to Russo-Georgian war of 2008.

Despite Russian pressure, the CIS countries decided not to support the Russian "recognition". Even Belarus - Russia's closest ally - adopted a firm position on that issue. A Defense Ministerial of the Collective Security Treaty Organization, held in Yerevan on August 21, 2009, failed to generate a consolidated view of the situation in the South Caucasus. Worth mentioning, Georgia decided to drop out of the CIS. Importantly, the Shanghai Cooperation Organization's Summit also did not give Russia full support of its actions. GUAM, another regional international organization, also failed to demonstrate unity of its members' views.

Very mixed signals came from Ukraine: The Pro-Western President Yuschenko openly supported Georgia. However, the Prime Minister and several other key Ukrainian politicians took a different position. The Ukrainian parliament even established a commission to investigate the arms sales from Ukraine to Georgia. Both Azerbaijan and Moldova made very cautious general statements. Baku sees Russia as a counterbalance to the West, and Chisinau has recently become very friendly with Russia.

The GUAM members' positions regarding the resolution of the "frozen conflicts" also differ. Nevertheless, at their summit in July 2008, just before the war in Georgia, the presidents of the GUAM countries urged the organization to be more active in resolving the "frozen conflicts". Also, GUAM members had discussed the issue of deploying peacekeeping forces from the UN and other international organizations as well as developing GUAM's own peacekeeping capabilities. As planned, a GUAM peacekeeping contingent could have been deployed in the conflict zones along with (or in place of) the existing Russian and CIS peacekeeping forces. However, Moldova and Azerbaijan were not very enthusiastic about such a proposal. Plus, President Voronin seems ready to defect from GUAM. Russian strategists hope that he would do what Islam Karimov did in 2003-05 when he gradually withdrew Uzbekistan from the organization to improve ties with Moscow by realigning his foreign policy away from its previous western orientation.

**Turkey**

The Russo-Georgian war changed Turkey's role in the region, particularly towards the Caucasus. Before August 2008, Turkey held (as Igor Torbakov writes in Jamestown Foundation newsletter) an ultimate geopolitical interest in preserving "geopolitical pluralism" in post-Soviet Eurasia in general and in South Caucasus in particular.

On the one hand, Turkey supported the sovereignty of the regional countries. It countered the growth of Russian influence in Caucasus and fostered the development of closer ties between Georgia, Azerbaijan and Euro-Atlantic organizations. From an economic and energy security point of view, this pluralism supported the construction of multiple oil and gas pipelines; supplying Caspian hydrocarbons and bypassing Russia. Turkey's strategic goal has been to become a major energy transit hub through which Caspian fuel could be transported to Europe.

On the other hand, we have all witnessed a Turkish-Russian rapprochement for the last several years. Turkey is interested in a multidimensional partnership with Russia. The first reason for that is that Russia has decided to abandon any serious intention to integrate into western structures and rather to become an independent Eurasian power. At the same time, Turkey had reoriented its policies from being a key western ally in the region toward a more unilateral position as a regional power. It is possible that this change is caused by the difficulties in its negotiation with EU about future accession. France and Germany voiced recently that it is too early to talk about Turkey becoming an EU member. The second reason is that there is a growing energy dependence on Russia. According to Turkish sources, Russia provides 29% of oil and 63% of gas for Turkey.

To regain the status quo, Turkey immediately came up with a new initiative - The Caucasus Stability and Cooperation Platform. This plan was announced in Moscow during Turkish Prime Minister Erdogan's visit to Russia on 13 August 2008.

It is worth mentioning that Russia called Turkey and Ukraine the arms suppliers to Georgia. Indeed,
Turkey offered Georgia $1.8 million-worth military aid and trained Georgian officers in Turkish military academies. Russia made Turkey feel its discontent by blocking thousands of Turkish trucks on the Russian border in September 2009.

As one Turkish newspaper reported, "Turkey and Russia have never before been so close in terms of their own common interests and common threats despite mutual distrust that has existed for centuries".

Recently, Turkey has made several steps toward opening the Turkish-Armenian border which has been closed since in 1993 in support of Azerbaijan. However, this measure did not have any positive impact on changing Armenia politics. Anyway, should the border indeed be opened, it would certainly bring many changes to the region.

Russia

According to some experts, the Russo-Georgian war was an "effective gambit in the new Great Game". Two strategic visions clashed in the South Caucasus. According to the popular Russian view, the grand strategy of the USA has been to make Turkey ally with Azerbaijan and Georgia and form a strategic energy transit corridor to Europe. Both Washington and Brussels supported this approach. Russians regard NATO expansion as a tool to bring regional countries into the Western security system. In the South Caucasus that would allow Washington to have additional military presence in the Black Sea (besides Romania and Bulgaria). In accordance with that vision, Moscow would gradually lose its influence in the South Caucasus and Ukraine. It is no wonder that Russia decided to use disproportionate use of force to send a very clear signal that only Russia has a right to control this part of the world. It does not mean anything new in Russian policies toward the region. Russia has always stressed that it is the main guarantor of stability in the near abroad and that it would never allow external powers to exercise influence there.

Let me offer you a quotation from a book written by a British traveller Henry Seymour in 1855: "The Caucasus is that the mountainous range, and the countries that lie at its foot to the north and south are the most convenient entrance to the heart of the great table-land of Asia which ... constitute an impregnable citadel where Russia had established ... its influence and dominance in every domain. The Caucasus is a real citadel of the Russian power in the South and East... Russia has mainatns there an army of 170,000 men and carefully keeps its inhabitants from communications with civilized Europe. We have never acknowledged the sovereignty of the Russians over this territory nor over to the Christian provinces to the South of Caucasus. If the Russian blockade was permanently removed from the eastern coast of the Black Sea, and the inhabitants from mountains were allowed to do liberal commerce with Europe, their energies would be quickly turned from war to peaceful businesses".

After the breakup of the Soviet Union, the Russian leadership has always stressed the role of Russia in the CIS. The following quotes illustrate this. In 1993, at the time of the end of Abkhazian war, the Minister of Foreign Affairs Andrei Kozyrev declared at the UN General Assembly: "Russia realizes that no international organization or group of states can replace our peacekeeping efforts in this specific post-Soviet space. Russia carries a special responsibility for maintaining peace and stability in this huge area. Russia must create its military bases in the CIS country and develop other forms of military-technical cooperation with them".

In the South Caucasus, there is a direct correlation between Abkhazia and South Ossetia with the security situation in the North Caucasus. If you read Russian media, there are daily reports of clashes between federal troops and insurgents in Kabardino-Balkaria, Karachay-Cherkessia, Ingushetia, North Ossetia, Chechnya and Dagestan. Russia has signed an agreement on border cooperation, and now the Russian border guards will control not only the borders between Abkhazia, South Ossetia and Georgia but also all the strategic installations in Abkhazia and South Ossetia.

Russia was very unhappy about the NATO exercise "Cooperative Longbow/Lancer 2009" which took place in Georgia in May 2009. The Russian General Staff announced the large-scale Russian exercise "Kavkaz 2009". They are scheduled to take place in June 29-July 6 and include all the brigades of Northern Caucasus District and also troops from other military districts. This would be the largest Russian exercise since 1990. According to some Russian experts, Russia wants to be ready for another war. The Ministry of Defense of Georgia
confirmed that in both Abkhazia and South Ossetia Russians have already repaired the roads and upgraded the communication lines. Remember how Russian railway troops repaired the railroad in South Ossetia before the war with Georgia. Some experts believe in the correlation between those repairs and war plans.

Russia continues to issue passports in Transdniestr, South Ossetia and Abkhazia. Moscow also uses financial incentives. Since early 2009, Moscow already allocated two tranches of humanitarian aid to Transdniestr totaling $15 million. In March 2009, Dmitry Medvedev stated that Russia will grant $200 million in 2009 to support Transdniestrian industry. Noteworthy is that Tiraspol does not pay for Russian gas. The total debt of Transdniestr for Russian natural gas is $1.3 billion. Tiraspol has made it clear that it does not intend to pay that debt.

According to Russian governmental sources, in 2010, Russia can allocate $370 million for restoration of South Ossetia. Thus, the total sum of post-war restoration might reach $770 million. As to Abkhazia, Russia will provide it with $70 million in the next two years. The war in Georgia highlighted the differences between NATO, EU and the United States. It also showed the internal conflicts between the member states. The United States supported Georgia based on its military strategic importance, whereas the EU is mostly interested in promoting European values. Now the EU became a natural Black Sea actor after Bulgaria and Romania became its members. Four countries of the region, namely Bulgaria, Greece, Romania and Turkey, are members of NATO. Currently there are several scenarios of the Euro-Atlantic strategy toward that region. From an American point of view, NATO should be the driving force of that strategy by offering the membership to former Soviet republics, especially to Georgia and Ukraine. However, the new US Administration takes more cautious steps with regard to NATO enlargement. At the NATO's Bucharest Summit in 2008, several members of NATO decided not to support US efforts to offer Georgia and Ukraine Membership Action Plans. President Obama and his foreign relations team took a course to reset its relations with Russia. NATO enlargement would be the biggest obstacle to make those relations better. The US had publicly appealed to find solutions to "frozen conflicts" but cannot do too much without support from Moscow. Two of the conflicts in Georgia are technically off the list of "frozen conflicts" since both Abkhazia and South Ossetia were recognized [by a few countries -- editorial board] as independent states. The US does not recognize them and stresses its position that they belong to Georgia.

The EU started its involvement with the Black Sea Region in the early 1990's by participating in several regional projects: TRACECA, INOGATE and Baku Initiative. However, only in 2007 did the EU recognize it as a region by launching The Black Sea Synergy - New Regional Cooperation Initiative. The main goal of this initiative is to organize the existing EU policies, to enhance the regional cooperation and dialogue, in the following sectors: promotion of democracy and human rights, trade and education, counteracting organized crime. Also, the Initiative specifically mentions the need to solve the "frozen conflicts" in the region. Despite of the importance of this document, some experts believe that the initiative is only a declaration of intentions and does not include any clear position on concrete actions.

Another important initiative, launched in spring of 2009, is the Eastern Partnership. This project is designed to further political, economic, and social reforms on the EU model, which in turn should contribute to increased prosperity and stability in the region. But, according to some experts, the concrete goals, the extent of the ambitions, and even the underlying logic of the Eastern Partnership remain contested. The EU's 27 member states have diverging priorities and interests and so do the six partner countries: Belarus, Ukraine, Moldova, Georgia, Armenia, and Azerbaijan. All of those countries, except Belarus, are part of Black Sea Region. By launching this initiative the EU sends a clear signal that currently it has no plans for further enlargement. However, it should be mentioned that EU has representatives in the South Caucasus and Moldova whose role it is to find ways for possible solutions of the "frozen conflicts".

The "frozen conflicts" already became an integral element of political landscape in the region, and it is still too early to say that they will be solved in a foreseeable future. ■
A new, stronger wave of the financial crisis is approaching. My prognosis is that it will overwhelm the world in September-October, 2009. The second wave will be induced by economic protectionism, freezing of financial and investment channels, cutting of lending, an increase in non-performing loans, a rise of unemployment, poverty and labor migration, as well as by a delay in structural reforms of economies based on new technological structure. All these factors will take place at the global level rather than in an individual country or a specific region.

In order to neutralize this challenge we need to take proactive measures. However, the systemic and major causes of the first wave of the crisis still have not been resolved. The resolution of the G-20 Summit in London and the anti-crisis measures of the U.S. government do not resolve the problem. Rather, they postpone its consequences. The stake made on unsecured monetary emission only aggravates the existing imbalance and provokes inflation risks. According to data from the Asian Development Bank, last year, the financial assets depreciated by USD 50 trillion. This should be considered in light of the fact that the world GDP totaled USD 60.2 trillion. This crisis is a global one. It has affected 70 per cent of the world countries.

The structure and scale of the world financial and economic crisis are unprecedented. The current crisis is not only financial; it is also a general economic and social one. This is also the crisis of existing theories, concepts, models, mentalities, moral values, spirituality and conscience. The cycles of three crises have coincided in time: demand and supply (5 years), reproduction (10 years) and industrial crisis (50 years). This has produced a resonance, which is rapidly destroying not only the single-polar world but also the existing system of global governance.

Three additional cycles of a higher, civilizational level have coincided in time. The sixth industrial civilization has been superseded by the seventh, post-industrial one; the fifth generation has replaced the forth generation of local civilization; the time for the third world supercycle has come. Hence, the 200-year, 500-year and 1,000-year civilization cycles have coincided in time.

The situation is aggravated because of the fact that the process of economization of politics in times of general globalization has reached a level at which both geopolitics and geo-strategy have become the servicing subsystems of geo-economy.

There will be no rapid, easy, and lossless way out of the crisis. Unlike the first two cycles that may be mitigated and smoothed with the help of new financial instruments and changes in monetary policy, the third 50-year cycle can be surmounted only through the transition of the economy to a new innovative model of development, i.e. the innovation breakthrough to the new sixth technological structure.

However, even the innovative model is not capable of leading out of civilization cycles. This can be done only with the help of a noospheric model of economy,

* Author's translation into English
the economy of human intellect. It can neutralize the disproportion between the development of scientific and technical potential and human spiritual development as well as ensure conflict-free and harmonious coexistence of humankind and the biosphere.

The current crisis will result in the flow of remaining capital that will be channeled to the industrial sectors of a new technological structure. Sustainable economic development is possible only if founded on the new technological base, with new technological capacities and distinctively new demand. The basic developments of this trend are already being formulated: nano- and picoindustry, nano-biotechnologies based on achievements of molecular biology and gene engineering, renewable and environmentally safe energy sources, artificial intelligence systems, global information networks, and integrated high-speed transport systems.

There will be a move towards an even greater intellectualization of production and a shift towards a continuous innovative and education process. The manufacturing sector will switch to environment friendly and wasteless production.

A quantum leap and entrance to the next long-term wave of economic growth will occur after the completion of the structural reforms in the leading world economies, based on the new technological structure, which is expected after 2015. In addition to technological innovations, we need qualitative changes in social psychology and mode of life. It is necessary to move from an individual who is oriented towards production and consumption to a human being guided by spiritual values and creativity.

The global financial and economic crisis, huge volatility of prices on energy resources, foodstuff inflation, and other factors featuring the rhythm of long-term technical and economic development show that the existing technological structure has approached the growth limit and has entered into the final stage of the lifecycle. Thus, the structural reform of the economy based on the next cycle has begun. We are witnessing the reproductive system of the new sixth technological structure, the formation and evolution of which will define the global economic development until 2035.

The process of replacement of technological structure started with the sharp rise in prices for energy resources and raw materials resulted from their excessive consumption; the latter demonstrates maximum deviation of energy consumption from the century’s trend.

The jump in prices for energy resources and raw materials entails a rapid drop of profitability of technological chains in the existing technological structure. During the new period of economic growth, the decline in output in the technological chains of the outgoing structure will not be compensated. That is why, the leading world economies will move from recession to depression, while developing economies will record deceleration of economic growth.

The world will change. The single-pole globalized world will be replaced by the multi-polar one. The pendulum has moved from globalization towards regionalization, from the West to the East. The line of break-up caused by the resonance will pass through all the continents. As a result, a transition model of the so-called continent economy will appear and will later be replaced by a planetary model.

The economic activities will be centered in Eurasia that occupies 36.2% of the total land with the population of 4.8 billion or 75% of the total population of the planet. More than 70% of the world energy resources are concentrated there and that is where 70% of the world GDP will be produced in the near future. The crisis has already aggravated a conflict between two geo-strategic centers of influence, the USA and China. It is around these centers which the belts of the second and the third-level countries will be grouped.

This transformation will be painful. In some regions, zones of instability and chaos will appear, and military conflicts may emerge. Unfortunately, the world has not become more perfect. For these reasons, the sole modification of the economic model cannot generate the desired outcome; a positive change in human consciousness is needed.

It is necessary to move from the ideology of consumption to a noospheric ideology, i.e. the ideology of conflict-free development of humankind and the planetary biosphere. It should be noted that the founder of the theory of cycles was Ukrainian economist M. Tuhan-Baranovski, and the founder of noospheric theory was the first President of the NAS of Ukraine V. Vernadski. The author of this work is a developer of the neospheric model of economy.

Hence, Ukraine may offer to the world a leading edge concept of the economy that can protect humanity from global catastrophe.

Does Ukraine itself have a chance for an unclouded future neither being divided by the globalization split nor being the frontline of regional conflict, nor standing in
the sidelines of civilizational evolution? To my mind, this crisis can give Ukraine this chance provided the new government pursues correct ideological, political and economic principles. If it does, Ukraine will be a democratic country capable of protecting its national interests. Not only the centers of influence, but due to strategic effects also other countries, can enhance the stability and security in this region.

The United States, for example, will get a new paradigm and strategy for overcoming the world financial crisis, an open dialogue and fruitful cooperation instead of opposition and military conflict thereby protecting its economy from recession and humankind from suffering. Energy stability can be achieved much cheaper through mutually beneficial cooperation, and the money saved on military expenses may be used for fighting environmental and climate changes and other global challenges.

Taking into account the strategic advantages and potential, geo-strategic location and climate conditions Ukraine can and should become a bridge not only between Europe and Asia, but also between the USA, EU, Russia, and CIS countries. These countries have common interests in addressing the global challenges, including combating proliferation of mass destruction weapons, terrorism, drugs trafficking, as well as ensuring energy and food security. However, to convince the centers of influence and to succeed in the implementation of this approach, Ukraine should solve, as soon as possible, its own problems that currently present the major threat to its national security.

The first is political instability. Without overcoming it, it will be impossible to overcome the crisis in the system of management as well as corruption, the shadow economy, criminalization, and the clan-type, oligarchic model of wild capitalism. Second is the need for strong and sustainable economic development, without which it is impossible to ensure the populations' welfare and quality of life. Third, it is necessary to ensure an adequate level of defense capacity of Ukraine. Having these problems unresolved, Ukraine, because of its weakness, risks to waste its chance and become an element of instability.

The danger is even higher because of Ukraine's unique geo-strategic location. Ukraine can be used by criminal groups for drug trafficking from Asia to Europe and as a corridor for trafficking of weapons, dual use technologies, illegal migration, and human trafficking. Ukraine has nuclear power plants, hydroelectric power plants, the largest warehouses of weapons and ammunition supplies in Europe, aerospace technologies, powerful military and industrial complexes since the Soviet times; strategic ammonia, oil and gas pipelines that ensure the energy security of Europe also pass through its territory. A negative scenario must therefore be prevented by Ukrainians and the world community alike.

Naturally, only a country with advanced economy and political stability can ensure security of such objects of crucial importance. That is why Ukraine needs a real support from sound forces.

Most importantly, Ukraine should pursue the democratic path ensuring the national stability, regional security and preventing all possible risks and threats that may emerge on the territory of Ukraine where objects of higher level of anthropogenic security are located.
Ukrainian defense: a problem of choice, or whether to join, or not to join NATO's umbrella?*

Volodymyr VAGAPOV
Professor, Colonel (Retired), Editor-in-chief, Science and Defence magazine published by the Ministry of Defence of Ukraine

Taxes and defense

There are some things which cannot be trusted to anyone. One needs to take care of them oneself. Maybe the most important of these things is guaranteeing security for your family. Our home is our castle. Even though its equipment costs a lot of money, we still install armored doors, we buy a rifle, we get a dog, and we install candid cameras. We hope that this will protect us and our relatives, our property, our lives and tranquility from thieves and robbers.

But not a single armored door will protect us, our neighbors, or people from other cities and villages of our native country against an entire army of assailants, especially well-armed ones. History teaches us that there will always be someone eager to grab our people's land.

Let us look around once again. It does not look like anyone is threatening us, all neighboring states declare their peaceful nature and will for cooperation. Although, from time to time, we see territorial claims arising on the borders, or attempts to interfere in our domestic affairs.

That is why, for the sake of security, we pay taxes which are later used by the state to create and maintain an army for our protection, or, as it is referred to in official documentation, the Armed Forces of a state.

Being pragmatic people, we hope that our money which is allocated for military security of the state to be spent efficiently, in other words: we wish to be safely protected.

Before spending its defense money a country needs to clarify several points. Is there a real threat of an armed attack against our country? How many assailants are there going to be, and what are their armaments? Obviously, no precise answers can be given to these questions before real actions start. However, there must be, at least utmost, probable, the preliminary estimates on that. This is a duty of the Ukrainian Armed Forces' General Staff. Based on thorough analysis, it evaluates the probability of an armed attack, as well as the potential of an aggressor. The General Staff also has to calculate how many servicemen, what military hardware, and equipment, might be needed to reliably secure the country from an eventual aggressor.

Further on, the MoD computes how much money is needed for that, and the Government takes it into consideration, together with other state expenses i.e. health and social security, education, science, culture, maintenance of the state machine etc. Afterwards, the Government compares that figure with the Treasury's possible income, mostly consisting of money collected from all of us, as well as from governmental and non-governmental organizations (NGOs) in the form of taxes.

As it often happens, our necessities are more expensive than our income. That is where the most important stage starts- the division of costs insufficient for all the needs. There are, of course, expenditures protected by state law; but since they reach up to 40%
of the nation's budget, they are never satisfied. Every department tries to prove that it is the one in the biggest need of assets. The budget formed by the Government is scrutinized by the Parliament, signed by the President and then becomes a State Law.

So, after a state budget is approved, the MoD obviously receives much less than it was asking. And here it starts figuring out the possible best way of spending its share. At that, the number of expenditures is countless.

Main question for Ukraine's defense

Nowadays, the majority of Ukrainians are not worried about political or military issues, but rather about economic aspects of life - poor living standards, weak economy, unemployment etc. - although they see the guaranteeing of military defense as a major responsibility of the Government. Today's situation does not allow us to remove this issue from our agenda.

Inconsistent neutrality of Ukraine, its economic and financial inability to autonomously secure its defense capacity, make Ukraine seek possibilities of joining a collective security system. The neutrality status seems to be the most appealing for Ukrainians, but a mere announcment of being nonaligned is not enough - it needs to be backed up by proper resources. So the question is: will our country be able to sustain an army twice as big as the present one? If not, than a collective security system is the only choice.

Ukraine has two 'collective umbrella' options: NATO and Collective Security Treaty Organization (CSTO). The Eurasian variant of defense looks quite acceptable, but, in that case, we have to forget about potential membership in the European Union (EU), which is, of course, not a near perspective.

Owing to Ukraine's aspiration for European integration and to the fact that the majority of our population (51% vs 29%) (1) supports joining the EU, there is no doubt that NATO membership will be favored at some point.

In fact, the main question for Ukraine's defense is very easy: should we or should we not join NATO? The trick is that NATO is a 60-year old Organization created during the Cold War to oppose the former USSR where Ukraine had evolved from.

According to 2006 public opinion polls, by the renowned Ukrainian Razumkov Center for Economic and Political Studies, 41.7% believed that Ukraine should stick to its current nonaligned status, 16.2% saw Ukraine as a member of NATO, 30% supported joining the Russia-led CSTO. Today, 31% support joining NATO, 53% are against it. At the same time, only 5-7% of the Ukrainians are well-informed about the Alliance, while more than a half of Ukraine's population would like to know it better. So, positive attitudes towards NATO can be traced back to the experts and those who are versed in NATO affairs. Therefore, Ukraine's defense ad security professionals are the major believers that the Alliance would be the best investment in Ukraine's defense. Definitely, it is better to lend an ear to expert opinion rather than to some political slogans!

On the other hand, those who are weakly informed about NATO's operation regard it negatively, if not somewhat hostile. It is possible that such an attitude is
based on the lack of information on NATO in Ukrainian press as well as mostly anti-NATO Russian mass media, which, unlike Western media outlets, is available to all Ukrainians.

Accordingly, Ukraine needs a large informational campaign - not a propagandist one, but rather an elucidative one. People do not need to be urged, they need unbiased, true information on Ukraine's defense domain, and on NATO in general.

Although there is no final decision on such civilizational issues as joining NATO yet, the defense policy of the independent Ukraine has always had Euro-Atlantic priorities. In the early 1990's, Ukraine started its cooperation with NATO, and soon thereafter we joined the Alliance's Partnership for Peace Program. Since 1997 till present our cooperation with NATO had been systematically developing, based on the Distinguished Partnership Charter. In 2005 NATO and Ukraine launched an intensified dialogue in order to further realize Ukraine's Euro-Atlantic trend.

The partnership between the Armed Forces of Ukraine and the Alliance has almost reached the status of those of countries-members of the Treaty. A long time ago, the Ukrainian military decided in favor of joining NATO. Psychologically, they are already there.

Ukrainians today are politically well informed to consciously say "yes" or "no" to joining NATO. Since the summer of 2004 this topic had been constantly generated by Ukrainian mass media, professional editions, round tables and theoretical-practical conferences. Politicians, parliamentarians, political scientists, representatives of the Government and NGOs adduced countless argumentation "pro" and "contra". Depending on which party they belong to, they tried to politically substantiate the expediency of this or that choice for Ukraine in the national security sphere. NATO's Information and Documentation Center in Kyiv, as well the NATO Liaison Office in Ukraine, have done an effective job too.

It is a fact that, in our society, apart from those who try to sort out political processes, there are people who are completely indifferent to politics as well as those who are strong advocates of a certain political force or its leader. It's impossible to elevate the informational level of people who do not read newspapers, magazines, books and only watch football or soap operas on TV. So these people's choice may occur subconsciously, e.g. while watching a commercial where young men or women drink beer and wear T-shirts saying "I love NATO" or "NATO go home". Political advocates value solely the words voiced by their leaders from pedestals. Their views are extremely hard to redefine.

In any case, even people who are not imbued with politics as such and do not overburden themselves with the choice between 'Slavic unity' and democratic values of the West, should be bothered by a major question: how is their money spent by the government?

**Where did my money go?**

If it has to do with military construction, a person with critical thinking would probably askstraight away: _In the Soviet Union we spent huge amount of money on defense; well, where did it all go? Is there something left from the then quite decent army?_

A law-abiding citizen, in his/her turn, poses a quite fair question to his state: _"Why is it that today, when Ukraine's independence is 18 years old, we still do not have well-trained and equipped Armed Forces, which would meet public expectations as well as modern security demands?"

These are very sore questions. It is true, that in times of the Soviet Union, military people were highly honored by the society, whereas potential aggressors were scared by numerous troops, powerful military equipment and high standards of battle training of the Red Army.

Ukraine became independent on 24 August 1991. Soon thereafter, the Verkhovna Rada (Parliament) of Ukraine decreed the transfer of the all the former Soviet Army's hardware left in Ukraine to its jurisdiction as well as the establishment of the MoD of Ukraine.

Ukraine inherited a huge army: about 800,000 personnel, 13,500 main battle tanks and other armored vehicles, 1,500 combat aircraft, 1,272 strategic nuclear warheads for intercontinental ballistic missiles, 2,500 pieces of tactical nuclear weapons, over 350 ships and vessels, a tremendous amount of ammunition deposits, military installations, military factories, maintenance and repair facilities, fuel depots (including for rockets) etc.

That heritage was however not very pleasing; it was extremely dangerous and required huge funds to sustain. And, Ukraine's MoD had a serious dilemma: what to do with it?

A political decision of Ukraine's government to go non-nuclear and nonaligned laid the basis for building independent Ukraine's army. Limitations derived from Conventional Forces in Europe Treaty and from Tashkent Agreement of 1992 were taken into account; those agreements had set up maximal levels of armaments, not only for each state of the former USSR, but, also for the so called flank military districts. Ukraine's
Mykolayiv, Kherson, Zaporizhya regions and the Crimean Autonomous Republic were part of it.

The initial stage of Ukraine's Armed Forces creation coincided with hardest economic times. The main task then was just to feed, dress and pay something to the military. Obviously, the years of thoughtless reduction of the Ukrainian army did not provoke respect to the army.

The most demolishing thing for a fighting spirit of the military was its forced standstill. There were no funds to enable them to enhance their professional level and operational readiness. A pilot who was provided with kerosene good for only a few hours of flights a year, became a greater threat to his airplane than to a credible opponent. Besides, people in epaulets were not 100% immune from social society illnesses. At that time the military personnel was allowed to do commerce during out-of office hours that encouraged moral degradation of a considerable part of the officers’ corps.

According to professors V. Ya. Bilyi and V. I. Varus, at that time a half of the Ukraine's army was manned by chronically ill officers (2). Such people make 1.8 times more mistakes than others in extreme situations. Research showed that less and less officers took their military status positively, and that the majority of the officers’ corps in Ukraine's Armed Forces was in the state apathy and depression.

Surely, a decline of professional reliability of servicemen, was a threat to national security. The value of patriotism degraded with the officers, while skepticism, cynicism and consumerism developed in its place. A sad conclusion is that during those years, a considerable part of the Ukrainian officers’ corps lost the positive motivation to serve, to perfect professional skills, which became seriously hindered the subsequent reorganization of the army.

In the 1990's, they succeeded in reducing personnel and nuclear arms. It is worth mentioning that nuclear disarmament was carried out in a quite mediocre way. Ukraine had got neither considerable political nor ponderable financial benefits from it. And there was a lot to loose. It was totally evident, that the money earned from the so-called military 'economic activities' and surplus military property sales was not used to finance the most burning defense projects or housing for the homeless military.

At that time, the teaching and training quality, morale of servicemen decreased considerably. The combat potential went down as a result of physical and moral aging of the military equipment. The 'people' errors and technical failures occurred more frequently and caused several tragic events. All of this predetermined a negative attitude of society towards the army, and in turn, the military became frustrated because they felt they were abandoned by the government and by the people.

Also deeply regretful is that in 1990's the military needs were not on a top agenda of the government. The military was actually thrown to the mercy of fate. It tasked itself and tried to reach its goals on its own. Some generals were trying to keep a smaller replica of the Soviet Army fitting Ukraine. Due to ill cooperation between executive and legislative powers, due to vague financial prospects no positive results were attained in the defense sphere.

In the 1990's not a single program of the Armed Forces reorganization was implemented. The Ukrainian army was like a protracted construction site, where because of the fallaciousness of ideas of the old project it is irrational to continue building, but the project which corresponds to present-day realities, and modern trends, does not yet exist.

It was also impossible to create an effective army because of a wretched MoD budget, 90% of which was hardly enough to maintain the personnel. There was no money at all left for combat training and modernization. Procurement of new equipment and R&D projects were almost not funded. Annual losses of combat potential arrived at 9%, and the maintenance costs raised 5-10% a year. Over the first several years of Ukraine's independence the prices for modern arms almost doubled (3).

Consequently, the money we invested in the Soviet Army had depreciated similarly to our savings in the Soviet Savings Bank. The money and resources spent for the Ukrainian army over the first years of independence did not contribute to the military security of Ukraine.

In fact, the state's actions in relation to the search for the best organizational and functional structures of Armed Forces, due to the limitations of quantity and financing, have only become noticeable starting in 2000. Unfortunately, so far the 'innovations', including civilian control over the military, turned out more declarative than practical. The Law "On Ukraine's Defense" in particular, provides for not less than 3% of GDP to be spent on defense, but, in reality, that has not yet happened. Owing to the insufficient financing many good ideas remained unrealized.

All of a sudden, the military issue became a burning one - after serious accidents involving fatalities in Brovary (Central Ukraine), above the Black sea (Souther Ukraine), and in Sknyliv (Western Ukraine). Even the then Supreme Commander-in-Chief of the Armed Forces of Ukraine, the President of Ukraine, acknowledged "...we
have one of the largest armies in Europe which is, at the same time, one of the least efficient ones. That frightening conclusion, which can be regarded as a confession of guilt, was sounded during a session of the National Security and Defense Council of Ukraine in 2003.

Disregarding such a state of play, there are still grounds to look into the future with optimism as there are very important results of the first stage of military reorganization in Ukraine. Most importantly, it is the acknowledgement by the civilians and the military of the necessity to introduce democratic control over the military. And it would convert the Armed Forces into an institute controlled by the society, and the latter would bear full responsibility for it.

What is the Ukrainian army today?

The current total strength of the Ukrainian Armed Forces is about 200,000 personnel, of which 152,000 are military and 48,000 civilians. The majority of military equipment is outdated and will exhaust its life time soon. General Serhiy Kirichenko, Chief of Ukraine's General Staff had assessed the state of Ukrainian arme as follows: "The Armed Forces have reached a critical limit because of chronic underfunding, when two thirds of aircraft and helicopters are unable to take off, and over a half of battle support ships are not able to carry out their missions. One-third of the military equipment is obsolete by its combat characteristics" (4).

A serious obstruction for the army's development

Even though the military sphere is not a top priority for Ukrainian citizens, they still wish to have a well-protected country. What is needed except for certain political decisions to make this wish come true?

Hardly anyone in our society is against creating a professional army, meaning the army of high quality, which would be made up of well-trained, physically and morally fit men of private and sergeants’ corps, intelligent officers who care for their subordinates, and a small group of bright, decent generals. Everyone would be glad to be protected by a most up-to-date armed army. The servicemen favor such a prospect too. And who not? But let us not hurry with the answer.

Take a look at the following example. Is it your car's fault that it turns into a heap of metal scrap, or suddenly stops, or its brake refuse to act? Not at all. It's it's proprietor's, who did not improve his driver's qualification, did not conduct the preventive measures, did not purchase new spare parts, did not tank, wash or tint. But you can not buy new parts because you are not making enough money, you can not hire a good auto-expert or tank it up with a quality gas. But none of this is your car's fault.

The situation with military mechanisms is very similar. We have what we have: A poverty-stricken and sick country has an army of a respective quality.

However, our servicemen do perform their missions, sometimes quite difficult ones, which were appraised by global experts particularly with regard to Ukrainian peacekeepers. During the years of its independence Ukraine has shown its ability to maintain peace and stability in all parts of the world. Over 30,000 Ukrainian servicemen have been enlisted in peacemaking operations under the aegis of UN and NATO.

I have been lucky enough to hear such praising words as: "Ukrainian soldiers are great during battle." This is how Supreme Allied Commander Europe General Joseph V. Ralston appraised the skills of Ukrainians, who took part in the NATO peacemaking operation in Kosovo, in his speech at the international conference "Development of vitally important USA-Ukraine cooperation" (26-28 April 2001, Lawrence, Kansas, USA).

If Ukrainians want to have an army they deserve, they have to sufficiently fund it. Should it even be reduced by a third, we would still have to invest several times more than we do today, as it is necessary to upgrade the equipment and execute the programs of social protection of servicemen. We have to tell people how much the new army costs. But no one can be sure today that Ukrainians can afford considerable investments into defense sphere. On 30 January 2009, Ukraine's Defense Minister Yuri Yekhanurov declared: "In order to fully implement all programs of the Armed Forces of Ukraine, 32.4 billion Ukrainian Hryvnas (as of 1 July 2008 UAH 5 = USD1; as of 1 April 2009 UAH 7.7 = USD1) a year, and in order to carry out the functions of the country's defense 17.5 billion is needed". For 2009, the defense slice of state budget is only UAH 8.4 billion - 0, 87% of GDP. And Ukrainian experts believe that financing the army at a level lower than 1% of GDP is a way to its disintegration.

What do we do if money is short?

In fact, defense, when its mysterious-patriotic veil is stripped off, is a usual economic project. To effectively build an army, one has to use business instruments.
The main task of business is to strengthen the existing man and material resources of defense. But what we do when we are short of money? Maybe it is time to think of our way of organizing the military security of the state? Maybe there are not that many potential assailants and they are not that well-armed? Maybe we have already surpassed the military power of these assailants and are now trying to build too big of an army which we do not even need? Will we be able to protect our country spending less money on defense? And why do we need an army in the first place? May be we should build up a common defense with someone? It will be definitely less expensive, but, the question is: Will these allies be reliable in hard times; will our friends' enemies become our enemies too? If you show your people all pros and cons of options for providing security of their country in a commercial way, they would understand you much better than political slogans. People buy products affordable for them.

When Ukrainian citizens will understand that the state is not financially capable of ensuring their military security on its own, that there is no money for both guns and butter, they will realize that there is no other option for Ukraine than a collective security system.

Making the choice

As of today, our state and society have come to a common conclusion that Ukraine can make one of two decisions - to stay neutral or to join a collective security system with NATO, as a most reasonable option in light of Ukraine's Euro integration trend, but only based on results of an All-Ukrainian referendum on the matter.

Let us imagine the decision-making process of a Ukrainian, who is not mad about ideas of "eternal brotherhood with Russia" or "anyone but not the Muscovites", who is pragmatic, who is not politically preconceived, and who argues exclusively looking at the available resources, financial and economic factors. How can a person like that think about whether a state should choose neutrality or join a collective security system?

On keeping neutrality. A nonaligned status of a country is close to Ukrainian mentality. In their minds it resembles independence. However, it is important to understand that such a status needs to be secured by the interest of other countries (as in Switzerland's case) and by considerable military assets. But today we do not have propositions from other world countries regarding Ukraine's neutrality, and it is very doubtful that Ukraine will soon have enough money to give butter to people and guns to its army. After all, since the MoD's ruling top is permanently crying that there is not enough money to build a modern army, apparently there will be no way for Ukraine to keep its status of neutrality.

On joining NATO. It is quite clear, that when there is not enough money for an unassisted defense, there is no other alternative than joining a collective security system. In such a case, why does Ukraine have to join NATO and not CSTO, which is very close to it as well? Everything becomes clear when you look at how Ukrainians blazed its Euro-integration path since it gained independence. Recall the above mentioned majority (51% vs 29%) voting for joining the EU. And we all understand, quite well, that it is impossible to join EU without joining NATO. Ukraine's membership in NATO means a guaranteed European security and defense. It is one of the necessary conditions for joining the EU although not the only one, whatever else politicians say. After all, we are not Sweden or Finland and we do not have a proper level of development or reliability. As a result, if we want to be a part of the EU we have to join NATO.

Obstacles on the way to the Alliance

The main obstacle today is: only 21% of Ukrainians support joining NATO and 53% are against it. In other words, if the referendum on this issue occurred today the decision would most definitely be negative. In this case, not even the actual joining of NATO, but even becoming a member of the Membership Action Plan (MAP) could cause mass protests. However, no one insists on holding the referendum tomorrow. What Ukraine does have is time, even the most optimistic hopes predict that the EU will only be ready to welcome Ukraine as one of its members in 12-15 years. So, the actual process of joining NATO may be dragged on for another 8-10 years. The large-scale armed aggression aiming at conquering over most or all of Ukraine's territory seems very improbable nowadays, so there is no pressure in joining any other alliance for collective protection. Because of domestic wrangles, NATO will not be able to help us solve them anyway; it is, on the contrary, one of the topics that make this issue even more burning.

Another question may arise: is joining NATO really the most serious issue in the national security sphere today? A person of pragmatic thinking has probably realized, by now, that the possibility of an armed attack
from the North, that pro-NATO politicians like to speculate on so much, is less than probable. It should more likely be considered as something of theoretical than practical threat, which will hardly grow into anything bigger in the near future. In other words, there is no threat from that direction for our people's lives.

On the other hand, internal factors for Ukraine's population are constantly aggravating, making demographers predict that we could be a country of only 30 million people by 2050. Driving forces for such a misfortune are: poisoning by counterfeit alcohol, epidemic of tuberculosis, AIDS, massive fatal traffic violations, industrial injuries, migration to other countries in order to earn money and not coming back, women fleeing abroad to work in sex industry and coming back sick and incapable of reproduction, substantial decrease of the age of chronic illnesses etc. In fact, it could be equal to a war that took lives of 6 million Ukrainian people over the passed 17 years.

It seems more likely, that in a few years public opinion will change in favor of NATO because of two factors: 1) drastic decline of the anti-NATO population (objectively the oldest Ukrainians), 2) effective realization of a pro-NATO information campaign. That is why there is no need to speedup the process of joining the Alliance today. It will only be better to wait until the greater part of our population actually supports this idea.

On illusion and reality

Joining the Alliance will not improve our economy, it will not teach our people to work, neither will it stop the constant struggle for power in our country, it will not guarantee political stability for our state, it will not make us respect the law, neither will it fight corruption. NATO will not be able to provide us with housing. Joining the Alliance will only make it possible for us to continue the integration into EU, which will have to be exercised by our country on its own.

So we will have to rise to our feet and, on our own, adopt democratic values and standards, peacefully build a civilized democratic state, find and introduce energy-saving technologies, raise agriculture to a considerable level and receive high revenues from exporting goods (e.g. grain can be such a great source of income, just like oil for Russia); cooperate with NATO, EU, Russia, and the rest of the world based on our own national interests. It is not worth annoying NATO and EU today, constantly asking them to take us in. First, we need to solve our domestic problems. We need good results on all levels of social life, and not just in the military sphere. Yet, we need to reach considerable standards of civic society's development, respect of human rights, and rule of law in general. When Ukraine becomes prosperous, Europe will gladly welcome us.

It may also happen that, in some years, EU will understand one very simple idea: Ukraine's contribution to European stability and security will be more effective if our state is admitted to EU since the approaching of the European border to Russia is not seen by the latter as a threat - as is the case should Ukraine join NATO instead.

The article was first published in the "Science and Defence" (Nauka i Oborona) magazine (http://www.nio.mil.gov.ua) - a theoretical, applied sciences quarterly of Ukraine.

"There are a few regular publications that publish thought-provoking pieces on the military, particularly Nauka i Oborona, but more are needed."


Bibliography:
PHOTO SESSION

HARVARD BLACK SEA SECURITY PROGRAM 2008
PHOTO SESSION
**RHYTHM**
Central Design Bureau
Chernivtsi, Western Ukraine
Web-site: http://www.ckb-rhythm.narod.ru
E-mail: rhythm@chvukrpack.net

Rhythm Optoelectronics, Inc. is the headquarters enterprise of Ministry of industrial politics of Ukraine in problems of scientific and technical support of «The Development of Solid-State Photodetectors Photodetector – Preampifier Modules and Optocouplers» profile. The main activities direction is the development and commercial production of photoconductors (PC) on the basis of lead chalcogenides, photodiodes (PD) on the basis of silicon and germanium, optocouplers and photodetector - preamplifier modules (PPM).

Spectral sensitivity range of our PC, PD, PPM is (0.2 - 4.7) mm. The company is able to fulfill orders on development and production on profile products in the shortest possible terms. Fields of application of our products are as follows:

- special-purpose equipment and systems come complete with our products, (in particular, maintaining safety of equipment for pipelines, boilers, railway, mines);
- energy-saving;
- space, medical and agricultural equipment;
- spectrophotometry.

**KIEV STATE SCIENTIFIC RESEARCH INSTITUTE OF HYDRODEVICES**
Web-site: http://hydrodevices.kiev.ua

Solutions for:
- sea- and airborne hydroacoustic monitoring
- detecting of underwater saboteurs and their transportation means (TRONKA system); with TRONKA you can equip seaports, harbors, anchorages, ships, yachts, various sea-platforms, secured naval areas, state borders, economic zones
- detecting of underwater small-sized objects, including mines (KATRAN system)
- active automatic counter-measures against threats
Ukrainian solutions for pipeline and other ground/naval critical infrastructure security

MARS – CORPORATION ASSOCIATION OF COMPANIES

Kiev, Ukraine, E-mail: avaks@iptelecom.net.ua

- Development and production of a series of Unmanned Aerial Systems (UASs) performing both civilian and military missions
- Various modifications depending on customer requirements
- Functions may include:
  - Day and night
  - Infrared and millimeter range
  - Radiotechnical surveillance
  - Radio, chemical, biological monitoring
  - Target identification and positioning
  - Detection of underwater mines
  - Detection and jamming of remote-controlled explosive devices
  - Detection of vehicle-implanted mines
  - Search of lost people with radio emitters
  - Airwaves monitoring
  - Detection and identification of optical devices and fire control systems
  - Relaying of weak radio and TV signals.

- Teaching, training of UASs crews
- Providing UAS services
- Sales, service, maintenance.

<table>
<thead>
<tr>
<th>No.</th>
<th>Elements of the UAS's complete set</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>MRS-100 UAV</td>
<td>2</td>
</tr>
<tr>
<td>2.</td>
<td>Spare UAV</td>
<td>1</td>
</tr>
<tr>
<td>3.</td>
<td>Vehicle-carrier</td>
<td>1</td>
</tr>
<tr>
<td>4.</td>
<td>Flight preparation equipment</td>
<td>1</td>
</tr>
<tr>
<td>5.</td>
<td>Pneumatic catapult</td>
<td>1</td>
</tr>
<tr>
<td>6.</td>
<td>Automated control desk</td>
<td>2</td>
</tr>
<tr>
<td>7.</td>
<td>Flight control, communication, on-line information reception equipment</td>
<td>2</td>
</tr>
<tr>
<td>8.</td>
<td>Internal communication, life support equipment</td>
<td>1</td>
</tr>
<tr>
<td>9.</td>
<td>Spare parts, maintenance/repair toolkit</td>
<td>1</td>
</tr>
</tbody>
</table>

Spheres of application:
- Natural and anthropogenic catastrophes
- Monitoring of state borders/economic zones
- Reconnaissance
- Agricultural services

Monitoring of pipelines:
- Route identification
- Updating the positioning data
- Data input
- En-route video
- Frame-by-frame pictures synchronized with video
- Thermal imaging