



22.3.2006

REPORT

on the proposal for a Council and Commission decision on the conclusion of the Interim Agreement on trade and trade-related matters between the European Community and the European Atomic Energy Community, of the one part, and Turkmenistan, of the other part
(5144/1999 – C5-0338/1999 – 1998/0304(CNS))

Committee on International Trade

Rapporteur: Daniel Caspary

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position
- *** Assent procedure
majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission.)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a Council and Commission decision on the conclusion of the Interim Agreement on trade and trade-related matters between the European Community and the European Atomic Energy Community, of the one part, and Turkmenistan, of the other part
(5144/1999 – C5-0338/1999 – 1998/0304(CNS))

(Consultation procedure)

The European Parliament,

- having regard to the proposal for a Council and Commission decision (5144/1999)¹,
 - having regard to its resolution of 15 March 2001 on the situation in Turkmenistan ²,
 - having regard to its resolution of 23 October 2003 on Turkmenistan, including Central Asia ³,
 - having regard to Article 133 and Article 300(2), first subparagraph, of the EC Treaty,
 - having regard to Article 300(3), first subparagraph, of the EC Treaty, pursuant to which the Council consulted Parliament (C5-0338/1999),
 - having regard to Rules 51 and 83(7) of its Rules of Procedure,
 - having regard to the report of the Committee on International Trade and the opinion of the Committee on Foreign Affairs (A6-0085/2006),
1. Approves the conclusion of the agreement;
 2. Instructs its President to forward its position to the Council and Commission, and the governments and parliaments of the Member States and of Turkmenistan.

¹ Not yet published in OJ.

² OJ C 343, 5.12.2001, p. 310.

³ OJ C 82 E, 1.4.2004, p. 639.

EXPLANATORY STATEMENT

Historical Background

Relations between the European Communities and Turkmenistan are currently covered by the Agreement on Trade and Commercial and Economic cooperation between the Communities and the USSR of 1989. Negotiations on a Partnership and Cooperation Agreement (PCA) with Turkmenistan were concluded on 24 May 1997. The Parliament was consulted on the PCA early in 1998 (committee responsible: AFET, rapporteur Ms Lalumière) but decided not to prepare a report due to the lack of improvement in the human rights situation. In the current legislature, the Committee on Foreign Affairs has resumed work on this agreement (rapporteur: Mr Beglitis) and the Committee on International Trade has appointed the author of this draft Report to act as draftsperson for its opinion.

On 24 February 1998 an interim agreement, to cover the period until the PCA entered into force and dealing with trade and trade related measures, was initialled. The Committee on Foreign Affairs adopted its opinion on the interim agreement on 26 May 2000 (draftsperson Ioannis Souladakis) but ITRE, the lead Committee, decided not to proceed with its report, again on human rights grounds. This decision was confirmed by Plenary resolutions in March 2001 and October 2003.

Developments since the Agreements were initialled

A significant factor in the suspension of work on these agreements was the December 1999 decision to remove all limits on Mr Niyazov's term of office, making him President for life. Following an apparent assassination attempt on the President in November 2002, there was a wave of arrests and show trials of those implicated in the attack, many of whom were accused of having links with the exiled opposition. This was accompanied by draconian new controls on freedom of movement and association, including strict registration requirements for any public gathering, and new registration terms for all religious and civil society groups.

More recently Turkmenistan has passed a law against child labour and accepted visits from the OSCE rapporteur on national minorities. However it has yet to ratify and implement many ILO conventions.

The situation in respect to human rights and democracy is not satisfactory, although there is the impression that there is a willingness to negotiate these issues.

Turkmenistan's economy

Turkmenistan has made the slowest transition progress of all the countries in the region. Only a few state-owned enterprises have been privatized, and the government remains in firm control of production and exports of gas, oil, and cotton, as well as some other industries. Germany's Siemens and Alcatel of France are involved in upgrading the country's telephone exchanges. However foreign direct investment (FDI) has remained low compared to other energy-rich countries in Central Asia.

According to BP's *Statistical Review of World Energy*, at end-2002 Turkmenistan ranked 15th in the world in terms of proven gas reserves, with 1.3% of the global total, and, of the former Soviet republics, second only to Russia. Proven oil reserves were 500m barrels at end-2002, or 0.1% of the world's total. Oil and gas account for around three-quarters of the country's export earnings.

Agriculture is the other major economic sector, representing nearly 30% of GDP. Cotton-processing has expanded, with about 30% of cotton fibre being processed domestically (compared to 3% in 1992). The government has also focused on developing the petrochemicals industry.

Content of the Interim Agreement

The Interim Agreement contains the clauses of the PCA relating to trade and trade-related measures. These include:

- most favoured nation treatment and the abolition of quantitative restrictions (subject to safeguard clauses);
- Turkmenistan's commitment to reach standards of protection of intellectual property similar to those in the Community within five years; and
- a protocol on mutual administrative assistance in customs matters

Respect for democracy and fundamental and human rights are described as "an essential element of this agreement" and there is a provision for the agreement to be denounced with six months notice.

Should the Agreement be ratified?

Whilst it is clear that the human rights situation in Turkmenistan is far from satisfactory, an examination of this topic is outside the competence of the Committee on International Trade. It is, however, worth noting that the EU has Partnership and Cooperation Agreements with the other four central Asian republics and that each contains a provision allowing for its unilateral suspension if any of the main principles is breached. It is this provision which has allowed the EU to suspend elements of the EU-Uzbekistan PCA in response to the events in Adijan on 13 May 2005.

From the trade perspective, the replacement of the prevailing agreement with the former Soviet Union is clearly helpful. Even if one might doubt the realism of some elements – such as Turkmenistan reaching EU standards of intellectual property rights protection within 5 years of the Agreements' entry into force – it will at least provide a clear, WTO-consistent benchmark against which progress can be measured.

And the most important aspect: the lack of economic integration between the EU and Turkmenistan during recent years has not contributed to improving the situation for the people of Turkmenistan. The signing of the Interim Agreement should be seen as step by the EU towards Turkmenistan and an attempt to increase the welfare of the population through trade. The EU is expecting major progress in response. Only after the effective implementation of improvements regarding democracy and human rights as well as economic reforms, can the signing of the PCA be considered.

OPINION OF THE COMMITTEE ON FOREIGN AFFAIRS

for the Committee on International Trade

on the proposal for a Council and Commission decision on the conclusion of the Interim agreement on trade and trade-related matters between the European Community and the European Atomic Energy Community, of the one part, and Turkmenistan of the other part (5144/1999 - C5-0338/1999 - 1998/0304(CNS))

Draftsman: Panagiotis Beglitis

The draftsman proposes to recommend to the Committee on International Trade that it give its approval to the conclusion of the Interim Agreement with Turkmenistan on trade and trade-related matters for the following reasons.

1. What is the Interim Agreement?

Relations between the EU and Turkmenistan are still governed by the 1989 Agreement on Trade and Commercial Cooperation between the erstwhile European Communities and the USSR. In 1997, a decision was taken to progress to a Partnership and Cooperation Agreement (PCA) with Turkmenistan, in order to update these relations and reflect the changed political situation. The PCA is a 'mixed' agreement, establishing a political dialogue and covering trade in goods, investment-related questions, and cooperation, in a wide range of areas.

Given the normally protracted time-scale for ratification of a PCA, the Commission also negotiated and initialled an Interim Agreement with Turkmenistan in 1997. This would provide - as its name suggests - for provisional implementation of the part of the PCA which deals with trade-related matters, thereby greatly facilitating trade between the two parties. The Council is required to conclude the Agreement on behalf of the European Community, and Parliament (lead committee: Committee on International Trade) is consulted. (It should be noted that, while INTA is the lead committee on trade matters, AFET is the competent committee on the PCA). While the Interim Agreement is more restrictive in scope than the PCA, it also contains a clause allowing for suspension in cases of breaches of respect for democracy or human rights.

2. Brief Background

In 2000, Parliament was consulted on the Interim Agreement. AFET's draftsman at the time, Mr Souladakis, had recommended approval, with the proviso that the committee would expect to see improvements in the human rights situation before drawing up its report on the PCA. However, the lead committee on the Interim Agreement decided not to move ahead with its report. Today, the dossier is again before the two relevant committees.

3. The situation now

As AFET's draftsman on the Interim Agreement - and rapporteur on the forthcoming PCA - I repeat the recommendation made by my predecessor, basing my judgement on the new willingness shown by the Turkmen side to engage with the EU in a dialogue on several issues, including individual human rights cases, and a strongly-held view that, by isolating Turkmenistan even further than it is already, the possibility of democratisation and improvements in human rights will be made much more remote.

The abolition of the death penalty, the announcement of a general amnesty whereby a number of prisoners will be released next year, the recently introduced law against child labour, and visits from the OSCE rapporteur on national minorities, are all steps in the right direction. The fact that new business and political classes are emerging, albeit very tentatively, may well be a precursor to a strengthened civil society sector and, eventually, to the emergence of political parties.

But let us be under no illusions - the Turkmen regime is still a repressive one, run by a president who in 1999 extended his term of office indefinitely and was elected, without opposition, with 99.5% of the vote.

President Niyazov (or "Turkmenbashi" - great leader of the Turkmen) has stated he will leave office in 2010, making way for multi-party elections. By definition, in this single-party state formal opposition parties are outlawed and the clampdown on freedom of movement and association following the 2002 attempt on the president's life still continues. There is strict censorship, repression of political dissent, ill-treatment of prisoners, and an all-pervasive "cult of personality". The authorities control virtually all aspects of civil life, to the extent that opera, ballet and even car radios are banned!

While Turkmenistan has some of the world's largest natural gas reserves and important oil reserves and is a major cotton exporter, half the population live in poverty; it still has to ratify/implement many ILO conventions. Turkmenistan is neutral and is recognised by the UN as such. It maintains good relations with Iran and Turkey as well as with Russia, which could be helpful in the region. It should also be noted that Turkmenistan's foreign policy is closely linked with energy and that access to external markets is one of its main objectives. While the EU clearly has energy needs, it should be at the same time cautious about subsuming its human rights principles to commercial considerations.

4. Conclusion

The above-mentioned willingness to engage in dialogue is welcome and a step in the right direction towards the next stage.

This committee believes that a stimulus for improvement in Turkmenistan must be provided and that is why, 7 years after the Interim Agreement was first proposed, we think it is time to approve it.

What we now expect to see from Turkmenistan - before any further discussion on the PCA is possible - is significant progress on human rights.

The Interim Agreement is an indication of the EU's goodwill; now it is up to Turkmenistan to take this opportunity to respond.

SUGGESTIONS

The Committee on Foreign Affairs calls on the Committee on International Trade, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. On the basis of a number of carefully weighed considerations and provided that the Council links any trade or economic deals with the Turkmen government to improvements on a number of issues, notably human rights, gives its approval to the conclusion of the Interim Agreement with Turkmenistan on trade and trade-related matters;
2. Points out that a lack of reform and over-extensive control by the state in Turkmenistan have generated a foreign policy which isolates the country from the community of democratic, free-market-economy states which respect human rights; notes that Turkmenistan's economy is not based on free-market mechanisms and that there is little private entrepreneurship and, furthermore, that there is an alarming amount of state intervention in the economy;
3. Recognises that while the human rights situation and the isolation of Turkmenistan continue to give extreme cause for concern, there have none the less been incipient signs of change, among them the abolition of the death penalty and a general amnesty for prisoners; intends to indicate support for these changes; calls on the Turkmen government to implement changes reflecting the recommendations of the OSCE Rapporteur on Turkmenistan and of the UNHCR; sees the Interim Agreement, provided those changes take place, as an important first step in encouraging Turkmenistan to make further - and more rapid - progress on improving its human rights record, and to engage in a human rights dialogue with the EU;
4. Notes that, regrettably, the authorities continue to outlaw rival political parties, repress all dissent and criticism, clamp down on religious groups not officially sanctioned and NGOs, control virtually all aspects of civic life and actively isolate the country's citizens from the international community; reiterates the call for a total and immediate cessation of the torture of political opponents, the release of prisoners of conscience, impartial investigations into all reported deaths in custody, and for independent observers to be allowed to monitor trials;
5. Urges Turkmenistan to give real meaning to the 1992 Constitution, and to fully respect its obligations under the major human rights treaties to which it is a party;
6. Welcomes the appointment by the Council on 28 July 2005 of Jan Kubis as the first EU Special Representative for Central Asia, which reflects the EU's growing engagement in this important region; expresses the hope that the EU Special Representative will contribute to an efficient and better co-ordinated international response to Turkmenistan;
7. Notes that Turkmenistan's neutral status has been officially recognised by the UN and that it has good relations with Iran and Turkey and close bilateral ties with Russia; is aware that, with its natural gas reserves ranking among the largest in the world, and with substantial oil reserves, Turkmenistan's foreign policy is closely linked with energy;
8. Points out that, while the Agreement primarily concerns trade matters, respect for democracy and human rights is an essential part of the strategy of cooperation envisaged both for the Interim Agreement and for a possible future ratification of the Partnership

and Cooperation Agreement (PCA), and entails the unconditional application of the human rights and democracy clause; draws Turkmenistan's attention to the fact that the EU is prepared to suspend parts of its agreements with States that fail to comply with the relevant clause, as happened with Uzbekistan in October 2005;

9. Stresses that it will expect to see further and verifiable evidence of significant improvements in human rights before it recommends ratification of the Partnership and Cooperation Agreement (PCA);
10. Recalls its request that the Commission provide information on the human rights situation, and that this be done by March 2006 at the latest.

Title	Proposal for a Council and Commission decision on the conclusion of the Interim agreement on trade and trade-related matters between the European Community and the European Atomic Energy Community, of the one part, and Turkmenistan of the other part
References	5144/1999 - C5-0338/1999 - 1998/0304(CNS)
Committee responsible	INTA
Opinion by Date announced in plenary	AFET 16.9.2004
Draftsman Date appointed	Panagiotis Beglitis 13.9.2004
Discussed in committee	23.11.2005 20.3.2006
Date adopted	21.3.2006
Result of final vote	+: 40 -: 7 0: 1
Members present for the final vote	Angelika Beer, Panagiotis Beglitis, André Brie, Elmar Brok, Philip Claeys, Véronique De Keyser, Giorgos Dimitrakopoulos, Ana Maria Gomes, Alfred Gomolka, Richard Howitt, Jana Hybášková, Toomas Hendrik Ilves, Michał Tomasz Kamiński, Helmut Kuhne, Vytautas Landsbergis, Emilio Menéndez del Valle, Francisco José Millán Mon, Pasqualina Napoletano, Annemie Neyts-Uyttebroeck, Baroness Nicholson of Winterbourne, Raimon Obiols i Germà, Cem Özdemir, Alojz Peterle, João de Deus Pinheiro, Mirosław Mariusz Piotrowski, Hubert Pirker, Paweł Bartłomiej Piskorski, Libor Rouček, José Ignacio Salafranca Sánchez-Neyra, Jacek Emil Saryusz-Wolski, György Schöpflin, Gitte Seeberg, Marek Maciej Siwiec, István Szent-Iványi, Konrad Szymański, Charles Tannock, Ari Vatanen, Karl von Wogau, Luis Yañez-Barnuevo García, Josef Zieleniec
Substitute(s) present for the final vote	Irena Belohorská, Alexandra Dobolyi, Patrick Gaubert, Jaromír Kohlíček, Ģirts Valdis Kristovskis, Miguel Angel Martínez Martínez, Aloyzas Sakalas, Tatjana Ždanoka
Comments (available in one language only)	

PROCEDURE

Title	Proposal for a Council and Commission decision on the conclusion of the Interim Agreement on trade and trade-related matters between the European Community and the European Atomic Energy Community, of the one part, and Turkmenistan, of the other part
References	5144/1999 – C5-0338/1999 – 1998/0304(CNS)
Date of consulting Parliament	13.12.1999
Committee responsible Date announced in plenary	INTA 16.9.2004
Committee(s) asked for opinion(s) Date announced in plenary	AFET 16.9.2004
Not delivering opinion(s) Date of decision	
Enhanced cooperation Date announced in plenary	No
Rapporteur(s) Date appointed	Daniel Caspary 18.1.2005
Previous rapporteur(s)	
Simplified procedure – date of decision Date of decision	
Legal basis disputed Date of JURI opinion	
Financial endowment amended Date of BUDG opinion	
Parliament to consult European Economic and Social Committee – date decided in plenary	
Parliament to consult Committee of the Regions – date decided in plenary	
Discussed in committee	12.7.2005 22.2.2006
Date adopted	21.3.2006
Result of final vote	+: 14 –: 2 0: 1
Members present for the final vote	Jean-Pierre Audy, Enrique Barón Crespo, Daniel Caspary, Giulietto Chiesa, Sajjad Karim, Caroline Lucas, David Martin, Javier Moreno Sánchez, Georgios Papastamkos, Godelieve Quisthoudt-Rowohl, Tokia Saïfi, Peter Šťastný, Robert Sturdy, Daniel Varela Suanzes-Carpegna, Zbigniew Zaleski
Substitute(s) present for the final vote	Antolín Sánchez Presedo, Frithjof Schmidt
Substitute(s) under Rule 178(2) present for the final vote	
Date tabled	24.3.2006
Comments (available in one language only)	