

# EUROPEAN PARLIAMENT

1999



2004

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*Session document*

FINAL  
**A5-0052/2004**

2 February 2004

## REPORT

with a proposal for a European Parliament recommendation to the Council on EU  
policy towards the South Caucasus  
2003/2225(INI))

Committee on Foreign Affairs, Human Rights, Common Security and Defence  
Policy

Rapporteur: Per Gahrton



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## PROCEDURAL PAGE

At the sitting of 20 October 2003 the President of Parliament announced that he had referred the proposal for a recommendation by Per Gahrton on behalf of the Verts/ALE Group on EU Policy towards the South Caucasus (B5-0429/2003) under Rule 49(1) of the Rules of Procedure to the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy as the committee responsible and the Committee on Industry, External Trade, Research and Energy for its opinion.

At its meeting of 4 November 2003 the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy decided to draw up a report on the subject under Rule 49(3) and Rule 104, and appointed Per Gahrton rapporteur (2003/2225(INI)).

The committee considered its draft report at its meetings of 2 December 2003 and 27 January 2004.

At the last meeting the committee adopted the proposal for a recommendation unanimously with 1 abstention.

The following were present for the vote: Elmar Brok (chairman), Baroness Nicholson of Winterbourne (vice-chairwoman), Christos Zacharakis (vice-chairman), Per Gahrton (rapporteur), Ole Andreasen, Anne André-Léonard (for Claudio Martelli), Per-Arne Arvidsson, Alexandros Baltas, Bastiaan Belder, Cees Bremmer (for Michael Gahler), Michael Cashman (for Véronique De Keyser), Gerard Collins (for Jean-Charles Marchiani), Gianfranco Dell'Alba (for Emma Bonino pursuant to Rule 153(2)), Rosa M. Díez González, Olivier Dupuis (for Francesco Enrico Speroni), Glyn Ford, Gerardo Galeote Quecedo, Jas Gawronski, Vitaliano Gemelli (for Franco Marini), Klaus Hänsch, Richard Howitt, Ulpu Iivari (for Magdalene Hoff), Joost Lagendijk, Catherine Lalumière, Armin Laschet, Cecilia Malmström, Hugues Martin, Miguel Angel Martínez Martínez (for Emilio Menéndez del Valle), Edward H.C. McMillan-Scott (for David Sumberg), Philippe Morillon, Pasqualina Napoletano, Raimon Obiols i Germà, Arie M. Oostlander, Doris Pack (for Alfred Gomolka), Jacques F. Poos, Lennart Sacrédeus (for Ilkka Suominen), José Ignacio Salafranca Sánchez-Neyra, Jürgen Schröder, Elisabeth Schroedter, Ioannis Souladakakis, Ursula Stenzel, Hannes Swoboda, Charles Tannock, Bob van den Bos, Demetrio Volcic, Karl von Wogau, Jan Marinus Wiersma and Matti Wuori.

The opinion of the Committee on Industry, External Trade, Research and Energy is attached.

The report was tabled on 2 February 2004.

## **PROPOSAL FOR A EUROPEAN PARLIAMENT RECOMMENDATION TO THE COUNCIL**

**on EU policy towards the South Caucasus  
2003/2225(INI))**

*The European Parliament,*

- having regard to the proposal for a recommendation to the Council by Per Gahrton on behalf of the Verts/ALE Group on EU Policy towards the South Caucasus (B5-0429/2003),
- having regard to the Council Joint Action of 7 July 2003 concerning the appointment of an EU Special Representative for the South Caucasus,
- having regard to the Partnership and Co-operation Agreements with Armenia, Azerbaijan and Georgia,
- having regard to the European Union Programme for Prevention of Violent Conflicts, endorsed by the European Council in Göteborg in 2001,
- having regard to the Council Joint Action of 25 June 2003 regarding a contribution from the European Union to the conflict settlement process in Georgia/South Ossetia,
- having regard to the conclusions adopted by the OSCE at the Istanbul summit,
- having regard to the recent parliamentary and presidential elections in Armenia and Azerbaijan,
- having regard to the changes which Georgia underwent in November 2003 ('rose revolution'), with a new president, the forming of a government on 25 January 2004 and the forthcoming parliamentary elections,
- having regard to its Resolution of 20 November 2003 on the Wider Europe - New Neighbourhood policy<sup>1</sup>,
- having regard to its Resolution of 18 January 2001 on the visa regime imposed by the Russian Federation on Georgia<sup>2</sup>,
- having regard to its Resolution of 11 March 1999 on support for the peace process in the Caucasus<sup>3</sup>,
- having regard to the Report of 4 April 2003 of its ad hoc delegation to Abkhazia/Georgia<sup>4</sup>,
- having regard to Rule 49(3) and Rule 104 of its Rules of Procedure,
- having regard to the report of the Committee on Foreign Affairs, Human Rights, Common

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<sup>1</sup> P5\_TA-PROV(2003)0520.

<sup>2</sup> OJ C 262, 18.9.2001, p. 259.

<sup>3</sup> OJ C 175, 21.6.1999, p. 251.

<sup>4</sup> PE 331.196.

Security and Defence Policy and the opinion of the Committee on Industry, External Trade, Research and Energy (A5-0052/2004),

- A. Whereas the South Caucasus countries (Armenia, Azerbaijan, Georgia) are all members of the Council of Europe and of the OSCE underlining the common destiny that they share with Europe,
- B. Whereas the South Caucasus bridges Europe with Central Asia and will in the future be a neighbouring region of the enlarged EU; whereas the countries of this region are favourably disposed to mutually beneficial partnership with the EU,
- C. Whereas these countries have stressed on many occasions their European vocation showing a deep interest in getting closer to the EU with a view to making an application for membership in the long term; whereas the resumption of regional cooperation is to be regarded as an essential step in this direction,
- D. Whereas years of wars and turmoil have been followed by a period of continuing instability in the region; whereas until now only limited progress in state building, democratisation, consolidation of the rule of law, securing religious freedom and economic reform has been made and the region continues to run the risk of becoming caught in a downward spiral of insecurity and conflict, which prevents sustainable development and inhibits political reforms,
- E. Whereas continuing conflicts and tensions between the three countries concerned are obstructing further European ambitions,
- F. Whereas there is a concern over the lack of the respect for democratic values, the rule of law and fundamental rights in the region and a need for further administrative and political reforms in order to secure further stability,
- G. Whereas the elections which took place in 2003 in the three countries have been marked by widespread irregularities which led the OSCE, the Council of Europe and the EU observers to state that they fell short of international standards,
- H. Whereas the recent presidential elections in Georgia, which according to international observers was an improvement on previous votes, showed that the country's new leadership is committed to democracy,
- I. Whereas the recent events proved once more the fragility of Georgian institutions and the urgency of a plan for the consolidation of democracy and the beginning of a process of reconciliation between all the parties of the Georgian society,
- J. Whereas there is a need to create conditions which are conducive to durable democratic stability in South Caucasus and to give impetus to economic development and cross-border co-operation, and this task cannot be accomplished without substantial international political, diplomatic and economic assistance,
- K. Whereas the current deadlock in the peace processes in Abkhazia, South Ossetia and

Nagorno-Karabakh is the main obstacle to resumption of dialogue and development of genuine regional cooperation,

L. Whereas in all the three areas of conflict Russia can make a decisive contribution to attempts to reach a peaceful and lasting settlement; whereas, in particular, without a political end to the war in Chechnya, it will not be possible to bring about stabilisation in the Caucasus,

M. Whereas at the recent OSCE Ministerial Summit, the EU reaffirmed the need to reach an early agreement between the parties on the duration and modalities of the functioning of the Russian military bases within the territory of Georgia,

N. Whereas conflicts in the region have driven hundreds of thousands of people from their homes and not all of them have been granted the status of refugee or IDP; whereas many are in urgent need of assistance to ensure that their basic needs are met, as well as the need for access to education for their children in their mother tongue,

O. Whereas in past years, the EU humanitarian aid for the region decreased significantly despite continuing need for food, health care and basic products for Internally Displaced Persons (IDPs) and refugees, as well as for inhabitants of areas of immediate tension; whereas in 2002 no humanitarian aid was provided for IDPs and refugees in Azerbaijan,

P. Whereas the issue of the closure of the Medzamor nuclear power plant, which is located in an earthquake zone in Armenia, is especially sensitive because of the shortages of electricity, due also to the blockade imposed by Turkey and Azerbaijan in the region, and because prior development of alternative energy supply is needed, whereas an effective regional energy market must be developed as well as improvements of the efficiency of the electricity grid and an energy-saving policy are needed,

Q. Whereas due to its geographical location, the South Caucasus can play an increased role in strengthening international security; whereas if it is instead left out of the evolving networks of interdependence and co-operation, the susceptibility of the South Caucasus states to the danger of export of instability from neighbouring regions would increase,

R. Whereas the EU provides significant assistance for the South Caucasus states in form of grants for implementation of major transport, energy and telecommunication projects as well as assistance in structural reform; whereas, regrettably, it has not yet developed an ambitious strategy, to the extent that these three countries continue today to be excluded from the 'Wider Europe - New Neighbourhood' initiative,

S. Whereas in the coming decade the region will become increasingly important for energy supply to the EU, which is the world's largest importer of oil and gas,

T. Whereas the INOGATE and TRACECA assistance programmes are crucial for promoting development of economic co-operation with and among the South Caucasus states,

U. Whereas criticisms have been directed by international civil society against the Baku-Tbilisi-Ceyhan oil pipeline project,

- V. Whereas forms of regional cooperation, such as GUUAM and BSEC, which is the only organisation where the three countries Georgia, Armenia and Azerbaijan meet regularly and exchange contacts, are taking shape, but countries that have the potential to be involved are excluded due to the existing conflicts, whereas the EU should find ways to duly support such forms of regional cooperation,
- W. Whereas the EU has a great potential to play a constructive role in the region as a civil power, with experience in successfully employing economic incentives linked to political and diplomatic initiatives, and as an actor with the capacity to share responsibility together with other major international actors for promoting peace and security in the region,
- X. Whereas the EU must play an increased role in the South Caucasus, especially in the area of conflict resolution, political and economic reform and intra-regional co-operation,

1. Addresses the following recommendations to the Council:

- to give an impetus to peace and stabilisation processes in the South Caucasus and intensify efforts to promote democratisation and economic reform in the region through the creation of stronger incentives for reform and for co-operation among parties to conflicts;
- to support the promising renewal in Georgia through democratisation programmes;
- to request the Commission to enhance EU assistance programmes; to conduct a dialogue with Turkey on its and the EU's policies and actions vis-à-vis the region;
- to urge, in this regard, Turkey to be fully committed to its candidate status and to take the necessary steps to establish good-neighbourly relations with the countries, with particular regard to the lifting the trade restrictions and the gradual reopening of the land border with Armenia; the European Parliament reiterates its position set out in its Resolution of 18 June 1987 on a political solution to the Armenian question;
- to follow up its appointment of an EU Special Representative for the South Caucasus, which the European Parliament has called for, with providing him with all the necessary resources to make his action effective and visible and to enable him to contribute both to implementing the EU's policy goals in the region and to bringing the policies of the three states in the region closer together with a view to the development of a common approach to their common problems;
- to keep the European Parliament informed, via the EU Special Representative, about developments in the region and his work; his regular reports, as well as the final comprehensive written report at the end of the mission, which are a requirement of the Joint Action, should also be presented to the European Parliament;
- to urge Member States which are involved in conflicts resolution in the region to actively cooperate with the EU Special Representative;



- to give the South Caucasus region a defined status in the Wider Europe - New Neighbourhood policy, in accordance with the principle of avoiding the creation of new dividing lines in Europe, to stimulate the countries in the region to advance in political and economic reforms, while at the same time confirming the EU's wish to increase its political and conflict resolution roles in the region;
  - to consider nevertheless that beyond the concerns about conflict resolution, the rapprochement of the EU with the South Caucasus countries, members of the Council of Europe, which long-term European vocation has been acknowledged many times, will allow the creation of a democratic area of stability, prosperity and good neighbourliness;
- to keep the principle of free trade, both within the region and with the EU, as a key objective in developing relations with the South Caucasus region and the neighbouring countries;
- to ensure that the reform of the financial protocols will not result in failure to supply urgently needed aid and support;
  - to request the Commission to further support the South Caucasus Anti-Drug Programme managed by the UNDP which is of great importance for socio-economic and political stability of the Southern Caucasus;
  - to give its support to the Organisation for Security and Cooperation in Europe (OSCE) and to the United Nations in their efforts to solve the regional frozen conflicts;
  - to call upon all the countries in the region not to block efforts to bring the three states closer together by demanding a resolution of the Nagorno-Karabakh conflict as a precondition;
  - to ensure together with the Commission, the full use of Community instruments for conflict prevention, focusing on humanitarian assistance for IDPs and refugees, de-mining, food security, water supply and environment, however, avoiding the duplication of existing international mechanisms for conflict resolution and reconciliation; underlines the European Parliament, that existing agreements and commitments in relation to conflict zones and security arrangements must be respected;
- to include the question of the three peace processes in South Caucasus and the future of the region in the development of the EU-Russia partnership to create the necessary momentum to overcome the present deadlock and to engage Russia in a long-term policy of conflict management; the European Parliament rejects the recent statements by the Russian President Putin and Foreign Minister Ivanov stating that Russia retains the option to make use of preemptive strikes on bordering countries in case of danger;
- to urge the Russian Federation to respect its commitments taken in 1999 OSCE Istanbul Summit on the reduction and withdrawal of the Russian military forces from the territory of Georgia and to take note, that the free consent of the host country is mandatory for the presence of foreign military bases on its territory; the European Parliament points out to the Government of Georgia the necessity to take early measures to

address social and economic consequences of the withdrawal of the Russian military bases;

- to increase with the Commission TACIS- democracy programmes for the region with regard, in particular, to the consolidation of democratic institutions, the development and strengthening of civil society and the support for independent media;
- to express concern to the Azeri authorities about the human rights situation and media freedom in the country; to urge, in particular, the Azeri government and the competent authorities to carry out a full, transparent and thorough investigation about the events which took place after the presidential elections of 15 October 2003;
- to act upon the European Parliament's proposal to develop a Stability Pact for the South Caucasus, drawing lessons from the experience of the Stability Pact for South-East Europe; such a pact should include neighbouring states and other important actors in the region and territories with breakaway pretensions should be involved in an appropriate way;
- to promote, in the framework of proposed Stability Pact, economic co-operation in the areas of lowering of trade barriers, development of energy, transport and communication networks, increased freedom of movement for persons, improved border management, measures against cross-border crime and cooperation on environmental issues; the European Parliament considers that progress in these areas on the one hand and on direct security issues on the other could mutually reinforce each other;
- to request the Commission to set up twinning programmes between Nagorno Karabakh, South Ossetia and Abkhazia from one side, and regions with special status in the EU countries from the other side so as to exchange experiences and find concrete solutions which respect the principle of territorial integrity of the countries concerned as well as the right of self-rule for minorities;
- to follow closely, together with the Commission, developments in Georgia, to provide all necessary financial and technical assistance to the authorities so as to support, stabilise and rebuild the institutions and to define a strategy for reforms and prepare forthcoming elections, in particular the repeat parliamentary elections this Spring;
- to ask from the three countries, Armenia, Azerbaijan and Georgia, where foreign investment is necessary to their development, the creation of strong and transparent legal framework that will ensure such investments and to fully support such initiatives from them;
- to ensure that the European Investment Bank also grants credits to the countries of South Caucasus, in particular to projects supporting small and medium-sized businesses, and for sustainable infrastructure investments;
- to request the Commission to give priority to augmenting programmes giving students from the South Caucasus the opportunity to study at universities and colleges in the European Union;

- to set up some specific tools for cultural and scientific cooperation with the South Caucasus countries in the framework of the Partnership and Cooperation Agreement concluded with these states; considers therefore that, as an example, an involvement of the Union in the Armenian CANDEL synchrotron project would be a sign of encouragement to this project which concerned chiefly the European scientific teams;
- to take fully into account the importance of the EU further supporting the rehabilitation of energy, transport and telecommunication networks in the region;
- to give consideration to financial support for development of the energy supply system in the region with particular regard to Armenia and Georgia, taking in consideration the EU applied policy in the case of Soviet type nuclear reactors in Lithuania, Slovakia, and Bulgaria specially for the Medzamor nuclear power plant;
- to fully take into account the strategic importance of the Baku-Tbilisi-Ceyhan pipeline; to urge the countries concerned to apply to this project the standards of the EU directive on the Environmental Impact Assessment and, furthermore, to avoid any steps which could result in creating conditions for additional instability and insecurity in the region; the European Parliament points out, that particular account must be taken of security and anti-terrorism measures in constructing the pipeline;
- to call on the states of the region to promote open cooperation, from which none of the states is excluded, with regard to the use of energy resources and routes of pipelines, in order to make an effective contribution to restoring regional stability;
- to call on the Commission and the Member States, as regards the transport of oil, to use their influence to ensure that no single-hull tankers leave Caspian and Black Sea ports to sail in those waters and, as regards the amendment to the MARPOL Convention adopted in December 2003, which lays down a transitional period up to 2010, to tighten up the provisions still further, which could be achieved if, for example, the Member States were to request the IMO to declare the Caspian Sea and the Black Sea particularly sensitive areas;
- to support the development and stability of Armenia, Azerbaijan and Georgia and to refrain from any involvement in conflicts based on the importance of oil in the region;
- to express concern at the recent decision of the Russian Federation to introduce the facilitated visa regime to the citizens of Adjara, without consulting Georgian authorities, as well as of recent arrangements to speed up the process of provision of Russian citizenship to the citizens of Abkhazia and Adjara;
- to find an overall solution to the refugee problem, which affects all of the states in the region;
- to give high priority to the creation of the necessary conditions for the safe and dignified return of IDPs to the Gali district in Abkhazia; to emphasise the duty of all relevant parties to co-operate in order to make this possible;
- to support politically and financially the plan, which represents a first package of measures for the settlement of the conflict and the establishment of cooperation, foreseeing the

withdrawal of Armenian armed forces from five occupied regions of Azerbaijan (Fizuli, Djabrail, Zangilan, Gubadly and Agdam) in combination with the restoration of the Baku-Nakhichevan-Yerevan railway, thus enabling the rehabilitation of these regions and creating necessary conditions for return of Azeri IDPs to their homelands;

- to develop multi-presidency programmes for co-operation on Justice and Home Affairs with the South Caucasus states, emphasising the fight against terrorism, organised crime, drug trafficking, small arms trading, kidnapping, and other criminal activities with important destabilising effects, leading to insecurity and the weakening of state and social structures;
  - to welcome individual Member States' provision of assistance in areas such as strengthening of border controls, tax collection, customs and the fight against corruption and terrorism; believes that Member States with recent own experience in transition to democracy and functioning market economy can deliver particularly valuable assistance and advice; calls for this potential to be harnessed;
  - to point out to the countries, that the flexible mechanisms of the Kyoto Protocol could help them to invest and modernise;
  - to remind the three South Caucasus Republics, especially Azerbaijan and Georgia which have concluded reciprocal Bilateral Immunity Agreements with the US, that the support for the International Criminal Court is an important element of cooperation with the EU;
2. Instructs its President to forward this Recommendation to the Council and, for information, to the Commission, the UN and the OSCE and the Council of Europe as well as the Governments and Parliaments of Armenia, Azerbaijan, Georgia, Russia, Turkey and Iran.

## **EXPLANATORY STATEMENT**

### **Prospects of democratic development in South Caucasus**

This year, elections in all three South Caucasus countries (Armenia, Azerbaijan and Georgia) were held (Presidential and parliamentary elections in Armenia, presidential elections in Azerbaijan, parliamentary elections in Georgia). On 2 November 2003, the European Parliament sent an ad hoc delegation to observe the parliamentary elections in Georgia. The rapporteur was one of the members of the delegation. International observers expressed a number of concerns regarding the conduct of the elections in all three countries.

During a fact-finding mission from 11-15 November 2003, the rapporteur had the opportunity to meet with the representatives of three governments as well as the main opposition parties and NGOs; among them President Alijev of Azerbaijan and President Kocharian of Armenia and their main opponents, Mr Gambar and Mr Demertjian, respectively. On 14 November, the rapporteur observed a large demonstration in Tbilisi in front of the Parliament. He also heard comments from the main opposition leaders.

There is an overwhelming impression of an atmosphere of distrust among the political factions and parties in all three countries. The conviction among the major political groups in normal democracies that the political battle is pursued according to agreed rules and fair play is absent in the South Caucasus. Opposition parties and presidential candidates, who lost the elections, are convinced that they would have been the winners had the campaigns and elections not been marred by irregularities and outright fraud by the government and pro-government forces. The government representatives admit the technical and administrative difficulties, but refute the accusations of deliberate fraud or harassment of the opposition, and claim that any unintentional irregularity could have only marginally affected the elections. Governments and presidents consider themselves rightfully and legally elected - they dismiss critical opposition parties and NGOs as bad losers and troublemakers who threaten the stability and development prospects of their countries.

This situation is extremely dangerous. The democratic deficit, widespread poverty (despite some encouraging growth figures in recent years), flourishing corruption, together with the large number of unresolved ethnic/territorial conflicts (Abkhazia, South Ossetia, Nagorno-Karabakh), as well as growing competition between neighbours and superpowers for influence in this strategically sensitive crossroad between Europe and Asia, between civilisations, religions and ethnic groups, unfortunately makes the South Caucasus a powder keg that needs international assistance if it is to find its way towards democracy, human rights, peace, economic development and social justice.

### **Desire for a more active EU**

There is a clear interest among the governments and most political groups in having much greater involvement of the EU and in having deeper bilateral relations with it, including full membership some time in the future. The EU could possibly combine attempts to bring about the re-launch of peace processes with offering greater support for internal reforms in the countries, as well as intensified commercial relations with the region. However, at present the EU does not appear to view either its security interests in relation to the South Caucasus, or the benefits of deeper economic relations as important enough to motivate its greater commitment.

This has created a widespread feeling of disappointment among the political actors in the area. Several high-ranking politicians of different political affiliations informed the rapporteur that they would welcome increased activity by the EU, in order to balance external influences. This would also facilitate reaching compromise solutions in difficult peace processes, since these would be more acceptable to the public if seen as part of a national strategy to get closer to the Europe.

### **Current EU policy towards the region**

The Council has at several occasions declared that the EU is willing to play a more active role in the South Caucasus. The rapporteur is content to take note of the fact, that the proposal made in his previous report to appoint an EU Special Representative to the region, has been implemented, with the nomination of the Finnish diplomat Mr Heikki Talvitie, who has experience in the region having been the co-chairman of the OSCE's Minsk Conference on the Nagorno-Karabakh issue between 1995 and 1996.

This decision is definitely a positive move that shall enable the EU to become more actively involved in conflict resolution tasks along with other international players, as well as enhancing the effectiveness and visibility of the EU's presence in the South Caucasus. However, further moves are necessary to create a comprehensive EU policy towards the region.

In its resolution on the South Caucasus, adopted on 28 February 2002, Parliament called for EU efforts towards the creation of "a framework for security and co-operation, both between the three countries in the region and between them and neighbouring regions". It considered that lessons could be drawn from the experience of the Stability Pact for South-Eastern Europe.

The EU recently reiterated its demand for the closure of the Medzamor Nuclear Power Plant due to safety reasons, however Armenia rejected it and plans to continue operating the plant until the country can be provided with alternate energy sources. Even if Armenia's ambition to guarantee its access to sufficient electricity is understandable and legitimate, there is concern that the existing arrangement is unlikely to contribute to a rapid switch to sustainable energy sources. Therefore, the EU should act in a stronger and more rapid fashion, based upon the vast experiences in several European countries, which show that a full electricity supply is possible without nuclear energy (Denmark and others) and that even a planned exit from existing nuclear systems is possible (Germany, Austria, Sweden and others).

The EU will in the future become increasingly dependent on energy supply from neighbouring countries<sup>1</sup>, including those of the South Caucasus region.. While Azerbaijan is rich in oil and gas, the other two South Caucasus countries are mainly dependent on external and almost exclusively Russian supplies of oil and gas. Ongoing constructions of pipelines and those planned will bypass Armenia. This places Armenia in a particularly unfavourable position due to its closed borders with Azerbaijan and Turkey.

### **Greater EU involvement - with prospect for EU membership**

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<sup>1</sup> Communication from the Commission to the Council and the European Parliament on the Development of the Energy Policy for the Enlarged European Union, its Neighbours and Partner Countries (COM (2003) 262 final/2)

Since the endorsement of the EU Programme on Prevention of Violent Conflicts<sup>1</sup>, the Union has had a favourable and positive experience in applying conflict prevention measures. Since the South Caucasus region is marked by a number of frozen conflicts, developments in the region need to be closely monitored in order to ensure that an early warning is received of any increase in tension. Moreover, the EU should employ a more pro-active strategy in the region using a wide range of existing conflict prevention instruments as laid down in the Commission Communication on Conflict Prevention<sup>2</sup>. These activities could complement and enhance the existing conflict resolution mechanisms created by the UN and OSCE as well as create more favourable conditions for economic development.

Unfortunately, the Commission did not include the South Caucasus in its strategy for a Wider Europe. This has created widespread disappointment in the region. The correct strategy would be to use the desire in the region for closer relations with the EU to promote democracy and human rights. To that end, the three countries, all members of the Council of Europe, must be included in the Wider Europe framework and be granted the right to future membership of the EU if they so wish and if they fulfil the criteria. Just as the enlargement process for the 13 existing candidate countries has contributed to the development of democracy and human rights, it could be repeated in South Caucasus. This, however, presupposes an enhanced interest and clear objectives of the EU institutions towards Armenia, Azerbaijan and Georgia. So far, this interest has not been sufficient.

### **Most dangerous: Nagorno-Karabakh**

According to the rapporteur, the currently most dangerous conflict concerns Nagorno-Karabakh. The Armenian side has a strong hold not only on Nagorno-Karabakh but also on vast areas around the enclave, which have been "emptied" from one million Azeris as a consequence of a major ethnic cleansing operation. Some of the territory is, as the rapporteur has been able to observe, rapidly being "armenianized" and obviously prepared for final annexation. A tourist map of the area available at the hotel of the rapporteur in Jerevan shows all Armenia-occupied territories as part of Armenia. At the same time, patience in Azerbaijan is running out. Not only refugee organisations, but also opposition parties and young people openly mention military means as a possibility to regain the lost territories, while President Alijev gives peaceful means a priority.

According to Armenia, an agreement was made in Key West talks held in April 2001, which is denied by Azerbaijan<sup>3</sup>. The non-recognised president of the Nagorno-Karabakh informed the rapporteur that any kind of administrative or political subordination of Nagorno-Karabakh to Azerbaijan is unthinkable and would create "casus belli".

At the same time, in private discussions, all sides show willingness to make significant concessions, but in this case they would need to "blame" external pressure, in order to escape the reactions of internal radicals. Nagorno-Karabakh leaders underline the fact, that they could accept limited sovereignty, without independent seats at the UN, in international bodies etc.

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<sup>1</sup> 9537/1/01 REV1 on 7 June 2001.

<sup>2</sup> COM (2001)211.

<sup>3</sup> Annual Report 2001 on OSCE Activities (1 November 2000 - 31 October 2001), prepared on 26.11.2001.

Azerbaijan would accept partial solutions, such as where communications could be opened after only partial Armenian retreat. Some Azeris would consider an exchange of territories that would leave the Armenian-populated parts of Nagorno-Karabakh to Armenia, while Azerbaijan would get Shusha and a southern link to Nakhichevan. Other types of exchanges and corridors are also being considered. In Armenia, a package deal is favoured, but also solutions, which imply exchanges of territories, are being considered.

While from an European point of view, such solutions may seem artificial and far away from open borders and a good neighbourhood which would make territorial issues obsolete, it may be necessary to accept that the reality of the region does not allow for more now. A comment by Mr Ghukasyan, the non-recognised president of Nagorno-Karabakh, is revealing. Commenting on the proposal in the previous report by the rapporteur to take over the experience of Åland, self-ruling Swedish-speaking archipelago inside the Republic of Finland, he said: "Oh yes, I accept that, I accept that Nagorno-Karabakh would to be an autonomous area under the supremacy of - Finland!"

### **A Stability Pact**

Developing energy co-operation in the framework of Partnership and Co-operation Agreements as well as enhancement of the INOGATE, in order to ensure security of supply for the EU in the future can be expected. However, the EU must insist on respect for environmental standards and support the projects that are in line with the Community's environmental policy. Pipeline networks should not exclude certain countries, but instead help to foster co-operation and development among the interconnected countries. Additional attention should be paid to ensure the possibility for the local population to benefit from the gains of implemented projects.

The EU is developing a constructive and mutually beneficial dialogue with Russia. However, it must not omit discussions on the issue of frozen conflicts in the region. The Russian Federation in many cases holds the key to boosting the dialogue between governments and non-recognised authorities of break away regions.

The experience of success with the Stability Pact for South-East Europe could be used, to stipulate coherent EU policy towards the region, which would be beneficial for all partners. The scope and concrete measures of the Stability Pact could comprise a closer partnership in current fields of co-operation, as well as in new areas, such as trade, fighting corruption and organised crime, border management and environmental issues.



16 October 2003

**PROPOSAL FOR A RECOMMENDATION B5-0429/2003**

pursuant to Rule 49(1) of the Rules of Procedure

by Per Gahrton on behalf of the Verts/ALE Group

on EU policy towards the South Caucasus

*The European Parliament,*

- A. whereas the EU has declared itself willing to play an increased role in the South Caucasus, especially in the area of conflict resolution, political and economic reform and intra-regional cooperation; whereas an EU Special Representative for the South Caucasus has been appointed to contribute to the implementation of the EU's policy objectives in the region,
  - B. whereas the South Caucasus bridges Europe with Central Asia and will in the future be a neighbouring region of the enlarged EU; whereas the countries of this region (Armenia, Azerbaijan, Georgia) are favourably disposed to mutually beneficial partnership with the EU,
  - C. whereas there is a need to create conditions which are conducive to durable democratic stability in South Caucasus and to give impetus to economic development and cross-border cooperation, and this task can not be accomplished without substantial international political, diplomatic and economic assistance,
  - D. whereas, in past years, the amounts of the EU humanitarian aid for the region decreased significantly despite continuing need of food, health care and basic products for Internally Displaced Persons (IDPs) and refugees, as well as for inhabitants of areas of immediate tensions; whereas, moreover, no humanitarian aid was provided for IDPs and refugees in Azerbaijan last year,
  - E. whereas the issue of closure of the Medzamor nuclear power plant, which is built on highly unstable soil in Armenia, is especially sensitive because of the shortages of electricity in the region, and prior development of alternative energy supply is needed; whereas an effective regional energy market must be developed, and improvements to the efficiency of the electricity grid and an energy-saving policy are needed,
- 1. Recommends that the South Caucasus region be given a defined status in the Wider Europe - New Neighbourhood policy framework, in accordance with the principle of avoiding the creation of new dividing lines in Europe and so as to stimulate the countries in the region to advance in political and economic reforms, while at the same time confirming the EU's wish to increase its political and conflict-resolution roles in the region;
  - 2. Supports the idea of developing a Stability Pact for the South Caucasus, drawing lessons from the experience of the Stability Pact for South-East Europe; notes that such a pact should include neighbouring states and other important actors in the region and that breakaway

regions should be involved in an appropriate way;

3. Calls for consideration to be given to the energy supply system in the region with regard in particular to Armenia and Georgia, with the aim of providing these countries with alternative energy resources and facilitating decommissioning of the Medzamor nuclear power plant;
4. Considers that the creation of the necessary conditions for the safe and dignified return of IDPs and refugees to the Gali district in Abkhazia and to Nagorno Karabach, should have a high priority; emphasises the duty of all relevant parties to cooperate so as to make this possible;
5. Calls for the full use of available Community instruments for conflict prevention, focusing on humanitarian assistance for IDPs and refugees, mine clearance, food security, water supply and the environment; notes that duplication of existing international mechanisms for conflict resolution and reconciliation should be avoided;
6. Regrets the limited mandate given to the newly appointed EU Special Representative for the region; urges the Council to provide him with all the necessary resources to make his action effective and visible;
7. Underlines that Parliament should be regularly informed by the EU Special Representative for the South Caucasus about developments in the region and about his work; requests that the regular reports as well as the final comprehensive written report at the end of the mission, which the Joint Action stipulates that the Special Representative shall produce, be presented also to Parliament;
8. Instructs its President to forward this recommendation to the Council and, for information, to the Commission and the governments and parliaments of Armenia, Azerbaijan and Georgia.

20 January 2004

## **OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY**

for the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy

on a proposal for a European Parliament recommendation to the Council on EU policy towards  
the South Caucasus  
(2003/2225(INI))

Draftswoman : Godelieve Quisthoudt-Rowohl

### **PROCEDURE**

The Committee on Industry, External Trade, Research and Energy appointed Godelieve Quisthoudt-Rowohl draftswoman at its meeting of 4 November 2003.

It considered the draft opinion at its meetings of 1 December 2003 and 20 January 2004 .

At the last meeting it adopted the following suggestions unanimously.

The following were present for the vote: Luis Berenguer Fuster (chairman), Peter Michael Mombaur (vice-chairman and acting Draftsman), Jaime Valdivielso de Cué (vice-chairman), María del Pilar Ayuso González (for Concepció Ferrer), Ward Beysen (for Marco Cappato), Guido Bodrato, Felipe Camisón Asensio (Dominique Vlasto), Gérard Caudron, Giles Bryan Chichester, Willy C.E.H. De Clercq, Francesco Fiori (for Umberto Scapagnini), Norbert Glante, Michel Hansenne, Malcolm Harbour (for Sir Robert Atkins), Roger Helmer (for Bashir Khanbhai), Hans Karlsson, Bernd Lange (for Mechtild Rothe), Werner Langen, Peter Liese (for Elizabeth Montfort), Rolf Linkohr, Caroline Lucas, Erika Mann, Hans-Peter Martin (for Imelda Mary Read), Marjo Matikainen-Kallström, Eryl Margaret McNally, Joaquim Miranda, Angelika Niebler, Reino Paasilinna, Paolo Pastorelli, Elly Plooi-j-van Gorsel, John Purvis, Bernhard Rapkay (for Gary Titley), Christian Foldberg Røvsing, Paul Rübig, Konrad K. Schwaiger, Esko Olavi Seppänen, W.G. van Velzen, Alejo Vidal-Quadras Roca and Myrsini Zorba.

## SUGGESTIONS

The Committee on Industry, External Trade, Research and Energy calls on the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

- A. whereas the Medzamor nuclear power plant is situated in an earthquake risk-zone and was already almost destroyed by an earthquake in 1989,
  - B. whereas EU policy should help the countries of the South Caucasus in their development; whereas cooperation in the fields of research, technology and industry, in particular, should help those countries to apply state-of-the-art technology and not repeat the industrialised countries' old mistakes,
1. Calls on the Commission to work within the Tacis programme towards the development and implementation of an alternative energy plan for Armenia so that the Medzamor nuclear power plant can be decommissioned as quickly as possible;
  2. Calls on the Commission to draw up a coherent up-to-date action programme for the South Caucasus in the areas of political, economic, social, and cultural relations;
  3. Stresses that the flexible mechanisms of the Kyoto Protocol could help the countries of the South Caucasus to invest and modernise;
  4. Calls on the European Investment Bank also to grant loans to the countries of the South Caucasus, e.g. in support of support small and medium-sized businesses or, in the area of infrastructure, for energy and water supplies;
  5. Calls on the Commission to use the programmes available to improve supplies of energy and drinking water;
  6. Stresses the importance of the construction of the combined oil and gas pipeline planned for Baku-Tiflis-Ceyhan for supplies to that area and for the protection of the marine environment of the Black Sea and the Mediterranean that it will provide by making sea transport unnecessary; points out, however, that particular account must be taken of security and anti-terrorism measures in constructing the pipeline;
  7. Calls on the Commission and the Member States, as regards the transport of oil, to use their influence to ensure that no single-hull tankers leave Caspian and Black Sea ports to sail in those waters and, as regards the amendment to the MARPOL Convention adopted in December 2003, which lays down a transitional period up to 2010, to tighten up the provisions still further, which could be achieved if, for example, the Member States were to request the IMO to declare the Caspian Sea and the Black Sea particularly sensitive areas;
  8. Stresses that the reform of the financial protocols should not result in failure to supply urgently needed aid and support;
  9. Calls on the Commission to assist the countries of the region to develop research networks and promote exchanges of students and researchers;
  10. Endorses the idea of negotiating free-trade agreements with the countries of the South

Caucasus once the partnership agreements have been fully implemented.