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Committee on International Trade

1998/0031(AVC)

31.3.2006

OPINION

of the Committee on International Trade

for the Committee on Foreign Affairs

on the proposal for a Council and Commission decision on the conclusion of the Partnership and cooperation agreement between the European Communities and their Member States, of the one part, and Turkmenistan, of the other part (COM(1997)0693 – 5606/1998 – C4-0371/1998 – 1998/0031(AVC))

Draftsperson: Daniel Caspary

PA_Leg

SHORT JUSTIFICATION

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.

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. The interim agreement is the subject of a separate report, for which the INTA is the lead Committee and AFET is preparing an opinion.

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.

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.

Trade-related aspects of the Agreement

This PCA is modelled on those with the other central Asian republics. From the trade perspective, key elements include:

- a commitment to liberalise trade in conformity with WTO rules;
- the objective “to promote trade and investment, in particular in the energy sector, and harmonious economic relations between the Parties and so to foster their sustainable economic development”;
- 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
- approximation of Turkmenistan’s legislation with that of the Community.

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. In addition, as with other PCAs, the Agreement under consideration establishes a Parliamentary Cooperation Committee and other mechanisms for enhanced dialogue which should provide improved mechanisms for transmitting EU views on human rights and political values.

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.

SUGGESTIONS

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

1. recalls that trade relations between the European Communities and Turkmenistan continue to be governed by the 1989 Agreement on Trade and Commercial and Economic cooperation between the Communities and the then USSR; points out, however, that the signing of the proposed Partnership and Cooperation Agreement is a binding act with strong political implications;
2. notes that the Partnership and Cooperation Agreement (PCA) was initialled at a time when the EU had 15 Member States and calls on the Commission to ensure that, by the time the Agreement enters into force, there can be no doubt that all Member States will benefit from the same rights and advantages;
3. believes that improved trading relations can help to build links between individuals and societies which, over time, can make a positive contribution to the political situation in Turkmenistan; takes, however, the view that the present human rights record of Turkmenistan is an obstacle to the development of relations between the EU and this country and the beginning of a genuine political dialogue; expects, therefore, concrete progress in this field from the Turkmen authorities and considers this as a preliminary condition to the signing of the PCA;
4. notes that the European Union is seeking to increase the diversity of its energy supplies and that Turkmenistan has substantial reserves of gas and oil;
5. welcomes the PCA's commitment to liberalise trade in conformity with WTO rules;
6. notes Turkmenistan's efforts to achieve, within 5 years of the entry into force of the Agreement, a level of protection of intellectual, industrial and commercial property rights similar to that existing in the Community, but asks the Commission to review the extent to which similar commitments in other PCAs have been fulfilled;
7. recommends that the Committee on Foreign Affairs closely follows the situation regarding human rights and fundamental freedoms and has verifiable evidence of a significant improvement in this field before giving its approval to the conclusion of this Partnership and Cooperation Agreement.

PROCEDURE

Title	The proposal for a Council and Commission decision on the conclusion of the Partnership and cooperation agreement between the European Communities and their Member States, of the one part, and Turkmenistan, of the other part	
References	(COM(1997)0693 – 5606/1998 – C4–0371/1998 – 1998/0031(AVC))	
Committee responsible	AFET	
Opinion by Date announced in plenary	INTA 16.9.2004	BUDG 16.9.2004
Enhanced cooperation – date announced in plenary	No	
Drafts(wo)man Date appointed	Daniel Caspary 18.1.2005	
Previous drafts(wo)man		
Discussed in committee	12.7.2005 23.11.2005	
Date adopted	21.3.2006	
Result of final vote	+: 15 –: 0 0: 3	
Members present for the final vote	Jean-Pierre Audy, Enrique Barón Crespo, Daniel Caspary, Giulietto Chiesa, Christofer Fjellner, 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		