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REPORT

on the communication from the Commission to the Council and the European Parliament on the European Union's relations with the South Caucasus, under the partnership and cooperation agreements
(COM(1999) 272 – C5-0116/1999 – 1999/2119(COS))

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

Rapporteur: Per Gahrton

CONTENTS

	Page
PROCEDURAL PAGE.....	4
MOTION FOR A RESOLUTION	5
EXPLANATORY STATEMENT.....	11

PROCEDURAL PAGE

By letter of 7 June 1999, the Commission forwarded to Parliament a communication on the European Union's relations with the South Caucasus, under the partnership and cooperation agreements (COM(1999) 272 – 1999/2119(COS)).

At the sitting of 13 September 1999 the President of Parliament announced that she had referred the communication to the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy as the committee responsible (C5-0116/1999).

The Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy appointed Per Gahrton rapporteur at its meeting of 23 September 1999.

The committee considered the Commission communication and the draft report at its meetings of 27 March and 3 December 2001 and 23 January 2002.

At the last meeting it adopted the motion for a resolution by 50 votes to 1, with 4 abstentions.

The following were present for the vote: Elmar Brok, chairman; Baroness Nicholson of Winterbourne, Geoffrey Van Orden and Christos Zacharakis, vice-chairmen; Per Gahrton, rapporteur; Ole Andreasen, Alexandros Baltas, Bastiaan Belder, André Brie, Michael Cashman (for Linda McAvan), Paul Coûteaux, John Walls Cushnahan, Véronique De Keyser, Andrew Nicholas Duff (for Bob van den Bos), Olivier Dupuis (for Emma Bonino), Pere Esteve, Giovanni Claudio Fava (for Rosa M. Díez González), Jas Gawronski, Alfred Gomolka, Vasco Graça Moura (for José Pacheco Pereira), Marie Anne Isler Béguin (for Reinhold Messner), Joost Lagendijk, Catherine Lalumière, Alain Lamassoure, Armin Laschet, Jules Maaten (for Claudio Martelli), Hanja Maij-Weggen (for Gunilla Carlsson), Cecilia Malmström, Emilio Menéndez del Valle, Philippe Morillon, Pasqualina Napoletano, Raimon Obiols i Germà, Arie M. Oostlander, Reino Paasilinna (for Glyn Ford), Doris Pack (for Michael Gahler), Jacques F. Poos, Luís Queiró, Jannis Sakellariou, José Ignacio Salafranca Sánchez-Neyra, Jacques Santer, Amalia Sartori, Ursula Schleicher (for Gerardo Galeote Quecedo pursuant to Rule 153(2)), Jürgen Schröder, Elisabeth Schroedter, Ioannis Soulidakis, Ursula Stenzel, David Sumberg, Ilkka Suominen, Charles Tannock, Johan Van Hecke, Paavo Väyrynen, Demetrio Volcic, Karl von Wogau, Jan Marinus Wiersma, Matti Wuori.

The report was tabled on 28 January 2002.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

MOTION FOR A RESOLUTION

European Parliament resolution on the communication from the Commission to the Council and the European Parliament on the European Union's relations with the South Caucasus, under the partnership and cooperation agreements (COM(1999) 272 – C5-0116/1999 – 1999/2119(COS))

The European Parliament,

- having regard to the Commission communication on the European Union's relations with the South Caucasus, under the partnership and cooperation agreements (COM(1999) 272 – C5-0116/1999),
- having regard to the Partnership and Cooperation Agreements with Armenia, Azerbaijan and Georgia,
- having regard to the Joint declaration of the European Union and the Republics of Armenia, Azerbaijan and Georgia, adopted in Luxembourg on 22 June 1999,
- having regard to the Council conclusions on South Caucasus of 27 February 2001 and subsequent statements in which the EU has declared its intention to reinforce its policy towards the South Caucasus¹,
- having regard to the Joint Communiqué issued after the meeting between the EU Troika and the Ministers for Foreign Affairs of Armenia, Azerbaijan, and Georgia in Luxembourg on 29 October 2001,
- having regard to the European Union Programme for the Prevention of Violent Conflicts, endorsed by the Gothenburg European Council,
- having regard to the Black Sea Economic Cooperation, which is the only regional cooperation that includes the three countries of Southern Caucasus among its eleven member countries of the region,
- having regard to the recommendations adopted by the Parliamentary Cooperation Committees EU - Armenia, EU - Azerbaijan and EU - Georgia,
- having regard to its resolution of 13 December 2000 on the implementation of the Common Strategy on Russia and in particular paragraph 41 thereof²,

¹ E.g. statement by Ms Anna Lindh, Minister for Foreign Affairs of Sweden, at the 108th Session of the Committee of Ministers of the Council of Europe, Strasbourg 11 May 2001.

² OJ C 232, 17.8.2001, p. 176; '(The European Parliament) Calls on the Commission to draft a South-Eastern Dimension policy for the Caucasus in which the interests of Russia and the new States in the Caucasus region, which emerged following the disintegration of the Soviet Union, are duly taken into account, in order to restore a stable and just international order in the area'

- having regard to its resolution of 13 December 2001 on the Commission communication on Conflict Prevention (COM(2001) 211 - C5-0458/2001)¹,
 - having regard to its earlier resolutions on developments in the South Caucasus²,
 - having regard to Rule 47(1) of its Rules of Procedure,
 - having regard to the report of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy (A5-0028/2002),
- A. whereas the humanitarian and security situation in the entire Caucasus region calls for increased engagement by the EU, in cooperation with other actors at international level, including the United Nations and the Organisation for Security and Cooperation in Europe,
 - B. whereas several armed conflicts have shaken the South Caucasus region, in particular the conflicts in Nagorno-Karabakh and in Abkhazia, since the fall of the Soviet Union and these have led to flights of refugees and created break-away regions and territories, where serious crises are looming,
 - C. whereas some, but far from conclusive, progress has been achieved in attempts to resolve the conflicts; whereas despite very promising results during the Armenia-Azerbaijan negotiations at Key West in April 2001, the follow-up talks planned for June 2001 in Geneva did not take place; whereas President Shevardnadze of Georgia has nominated a new negotiator for Abkhazia who seems to meet with approval in Georgia, Abkhazia and Russia; whereas the risk of fullscale wars involving the whole region still must be taken seriously,
 - D. whereas comprehensive international involvement is necessary in efforts to resolve conflicts and stabilise the region, both because outside powers de facto play important roles, which must be brought fully in line with these objectives, and because of the scale and type of the resources that need to be mobilised,
 - E. whereas mutual confidence in this region is essential as a primary basis for further cooperation and stabilisation,
 - F. whereas the peaceful resolution of all conflicts in the region is a precondition for the development of an effective framework for regional geopolitical stability, cooperation, the consolidation of democratic state structures and sustainable economic development,
 - G. whereas the extraction and transport of energy resources in and close to the region is the major geopolitical factor and must be organised in a way that benefits peaceful relations and cooperation between all concerned states; whereas it should also be ensured that the potential of these activities to foster a general economic upturn is harnessed and that this will serve the populations in their entirety,

¹ Not yet published in OJ C.

² B4-0234, 0275, 0288/1999, B5-0618, 0630, 0638, 0649 and 0661/2001.

- H. whereas the EU should continue to play as much as possible an effective and constructive role in these regards, through its political dialogue with all relevant states, as a commercial partner and also as a provider of assistance, which since independence amounts to grant-based aid of €286.13 million to Armenia, 333.90 million to Azerbaijan and 301.28 million to Georgia,
- I. whereas considerable improvements are needed for the proper functioning of the democratic process in the states of the Southern Caucasus and for the practice of European standards of governance, of universal standards in respecting human rights and of civilised norms in promoting a free and independent media, components of civic society which, ten years after independence from the Soviet Union, fall short of what is required of states which are members of the Council of Europe,
- J. whereas, in addition to these reasons for the EU to conduct an active policy, the need to address 'soft security' problems, such as the smuggling of arms and drugs, money laundering and trafficking of human beings and environmental hazards, like the Medzamor nuclear power plant situated in an earthquake region in Armenia, should also be seen as an important motive,
- K. whereas the countries of South Caucasus expressed repeatedly their wish for a much more active EU role in the region and there should be a response to their desire to become deeper integrated in Europe,
- L. whereas it is precisely the countries of the South Caucasus that could assume a key role as a bridge between Asia and Europe at the extreme edge of Europe after enlargement of the European Union,
- M. whereas the EU is well placed to serve as a mediator, but only the countries of the South Caucasus themselves can take the courageous and decisive steps necessary to secure for themselves a brighter future,
- N. whereas the approach to the complex web of conflicts and tensions in South Caucasus must comprise restabilisation of the entire region, given that the North Caucasus is a dangerous region of crisis and conflict in Russia and is for the time being largely inaccessible to international political involvement (i.e. OSCE, UN, EU); this being so, the EU definitely should promote and provide financial support for regional cooperation efforts between North-South and East-West,
1. Calls on the Council to work on comprehensive and long-term Common Strategies for the countries of the Caucasus and to implement them as swiftly as possible, and on the Commission to start preparing differentiated proposals;
 2. Considers that these Common Strategies should be clearly focused, in line with the Council's conclusions on the Common Strategy instrument of 27 February 2000, notably on prevention of violent conflicts and the promotion of a framework for security and cooperation, both between the three countries of the region and between them and neighbouring countries;

3. Considers that this framework could draw lessons from the experience of the Stability Pact for South-Eastern Europe and that it should facilitate the reestablishment of cross-border contacts between individuals, organisations, institutions and enterprises and enhance respect for the rights of minorities;
4. Takes the view that this Stability Pact definitely must be accompanied by specific measures to combat the illegal transfer of small arms and handguns and that the EU should develop and provide financial backing for initiatives and programmes to this end;
5. Proposes a Conference of the three states of the Southern Caucasus and the European Union in order to draw up a strategy for regional cooperation which promotes peace, human rights, democracy, social cultural development, economic growth and cooperation on shared environmental problems;
6. Reiterates to the Council its call for consideration of the possibility of appointing a EU Special Envoy for the South Caucasus who operates on behalf of the Council and Commission so as to increase the effectiveness of the EU's action in the region and contribute to the peaceful solution of ongoing conflicts, in collaboration with the UN and OSCE;
7. Believes that approaches to certain territorial disputes that seek to bridge the conflict-provoking polarisation between sovereignty and non-sovereignty should be encouraged;
8. Calls on the Council and the Commission to fully implement the EU Programme for the Prevention of Violent Conflicts in relation to South Caucasus; considers that the civilian peace corps in the framework of the Rapid Reaction Mechanism of the European Commission recommended by Parliament could help build confidence between different ethnic groups;
9. Notes that the EU has declared itself ready to enhance its contribution to conflict prevention and post-conflict rehabilitation, in the light of developments¹; reminds the Commission and the Council of the necessity to see to that they have adequate resources available for this;
10. Recommends the Council to focus its political dialogue with the countries of South Caucasus on conflict resolution, the refugee question, regional cooperation, reconstruction, human rights, democracy and environment; calls for caution as regards the provision of advice on economic issues, bearing in mind the experience of privatisation in central and eastern Europe and its socio-economic consequences;
11. Proposes that the Partnership and Cooperation Agreements (PCA) with these countries be brought into line with each other in order to create a coordinated approach on the part of the EU on advisory and technical services and economic and administrative support;

¹ E.g. in the Joint Communiqué issued after the meeting between the EU troika and the Ministers for Foreign Affairs of Armenia, Azerbaijan and Georgia, in Luxembourg on 29 October 2001.

this alignment can lead to an institutional structure for co-ordination in the South Caucasus;

12. Reiterates its demand that Commission Delegations are opened in Armenia and Azerbaijan;
13. Reminds Armenia, Azerbaijan and Georgia of the obligations they have accepted by acceding to the Council of Europe and invites the three countries to respect these obligations, in particular in the area of human rights, including freedom of the media, religious freedom and respect for private life;
14. Reminds Armenia and Azerbaijan of their undertaking, made in the same context, to step up their efforts to find a solution to the Nagorno-Karabakh conflict and related issues with the mediation of the Minsk Group; calls for the constructive engagement of the authorities in Stepankert in the peace process, and for them to refrain from all measures that might prejudice a future solution; calls upon Armenia to refrain from all measures in the occupied Azeri territories that might be interpreted as aiming at making the Armenian control permanent;
15. Calls on the neighbouring countries Russia, Iran and Turkey to contribute constructively to the peaceful development of the South Caucasus Region; in this respect especially calls upon Russia to fulfil commitments to downgrade its military presence and calls upon Turkey to take appropriate steps in accordance with its European ambitions, especially concerning the termination of the blockade against Armenia; reiterates in this respect the position in its resolution of 18 June 1987 recognising the genocide upon Armenians 1915 and calls upon Turkey to create a basis for reconciliation;
16. Points to the still remaining devastating influence that corruption and major weaknesses in the rule of law have on political stability as well as on social and economic development prospects, including the capacity to attract foreign investment; however, recognises the different degrees of these problems in the three countries;
17. Underlines the importance of the existing European endeavour to reform and improve economic and political structures in the Southern Caucasus and asks priority for support in the field of internal security, establishment of the rule of law and border control;
18. Underlines that safeguarding the freedom of the media and allowing civil society to develop freely are not only necessary in order to respect democratic rights, but are also of vital importance for successful development of society in other regards;
19. Encourages initiatives for regional cooperation, especially the Black Sea Economic Cooperation; calls on the Commission to study possibilities of facilitating entry into the EU market of products from the region, drawing inspiration from the asymmetric trade preferences given to the countries of the Western Balkans;
20. Calls for a conference on investment and economic development in the Southern Caucasus by European institutions engaged in the region and in cooperation with banks and firms in the European Union with special emphasis on energy;

21. Calls on the Commission and Member States to elaborate proposals on increased cooperation in the cultural area and in education and science with the aim of halting the continuing brain drain and promoting citizenship based on tolerance;
22. Warmly appreciates and supports the aspiration of the countries of the region to belong to Europe and to cooperate closely in the economic, political and other fields with European institutions and organisations, including the European Union;
23. Instructs its President to forward this resolution to the Council, the Commission, the Governments of the Member States, the Governments of Armenia, Azerbaijan and Georgia, the Governments of Russia, Turkey and the other member states of the Black Sea Economic Cooperation and the Governments of Iran and the USA.

EXPLANATORY STATEMENT

Introduction: the calm before the storm?¹

The three countries of the southern Caucasus, Armenia, Azerbaijan and Georgia have traditionally been bound by strong economic, social and cultural ties and, during the Soviet era, formed what was de facto a single region (albeit one where significant conflicts were suppressed). Today, the region is fragmented by border blockades, disconnected rail links, ethnic conflicts and the formation of breakaway territories. Democratic politicians and grassroots movements are waging an uneven battle against local clans and mafias and with outside economic and strategic interests. The risk of ethnic and territorial conflicts, both old (in South Ossetia, Nagorno-Karabakh and Abkhazia) and new (in Adzharia, Meskhet-Yavakheti, Nakhichevan, the Lezghins etc.) flaring up again is great.

The Soviet planned economy has only partly been replaced by a normal market economy. Instead, as most political players acknowledge, widespread corruption flourishes, based on clan loyalties and mafia domination. All three countries have been affected by large-scale emigration, in particular Armenia, where estimates for the number of emigrants is put at between just under a million (government representatives) and about two million (human rights organisations and diplomats) of the country's official population of 3.7 m. Armenia won a war but seems to be in the process of losing the cease-fire, owing to the blockade imposed by Turkey and Azerbaijan. On the other hand, Azerbaijan has about a million internal refugees, and roughly a fifth of its territory is occupied by Armenian troops, which detracts from favourable economic factors (e.g. oil reserves). Georgia is in dispute with Russia on several fronts: military bases, energy supplies, Abkhazia, South Ossetia, and the border with Chechnya. Russia has unilaterally introduced visa requirements (but not for South Ossetia or Abkhazia).

All three countries are multi-party democracies, but nowhere does democracy function perfectly. Their governments are accused by opposition parties of electoral fraud and human rights violations, and such accusations are to some extent borne out by international observers and local human rights organisations. The entire region is characterised by traditional male-domination which means that women do not occupy a prominent place in society, although this is not always so in Georgia.

The Russian influence is obvious, especially because of the close geographical, economic,

¹ During his work on this report, the rapporteur made three visits to the southern Caucasus: (1) from 24 February to 7 March 2000, along with three fellow MEPs and an administrator from the Green Group, when the whole party visited Tbilisi and Baku, plus South Ossetia, and the rapporteur later visited Yerevan; in all cases, the reception was excellent and the visit included meetings with Presidents Shevardnadze, Aliyev and Kocharian, as well as with heads of government, ministers, opposition leaders, representatives of local grassroots movements and international organisations, along with South Ossetia's president Tjibirov, (2) as a substitute EP delegate at the meeting of the EU-Georgia Cooperation Committee meeting in Tbilisi on 8-9 May 2000, (3) as a substitute EP delegate at the meeting of the EU-Armenia Cooperation Committee in Yerevan on 13-14 September 2000; in connection with this, the rapporteur made a two-day visit to Nagorno-Karabakh, which included a meeting with the region's President, Mr Ghukasian.

cultural, ethnic and historical links between the southern Caucasus and adjacent parts of the Russian Federation. Russian is used as a *lingua franca*. Most south Caucasians who leave their home countries head for Russia. Few wish to break off relations with Russia, though sentiments range from Armenia's wish to have Russian military bases as protection against Turkey, through Azerbaijan's more relaxed stance, reinforced by the absence of Russian military bases, which fluctuates between thoughts of joining NATO and receiving a state visit from President Putin of Russia, to Georgia's conviction that Russian superpower manoeuvring is behind all the attempts to form breakaway states.

Geographical factors and the conflict situation also make Iran and Turkey important either as protagonists or as antagonists: Turkey supports Azerbaijan and thus poses a threat to Armenia; Iran provides Armenia with a way round the blockade and acts as a brake on any plans Baku might have for a Greater Azerbaijan including the millions of Azeris living in Iran. Another piece in the jigsaw is the US desire to get into this oil-rich region and build pipelines and transport links in an attempt to bypass Russia and its *protégé*, Armenia, and strengthen its own NATO ally, Turkey.

All in all, there is a major risk that the southern Caucasus's absence from world media headlines could be a case of 'the calm before the storm'. Under the seductive veneer of hospitality, high ambitions, idealistic hopes for the future and distinguished links with ancient cultures, no objective observer can fail to see serious social, economic and political crises. Several trouble spots are smouldering away and could flare up and produce fresh armed conflicts. The 'hangover' from de-sovietisation is far from over.

There is an obvious risk that the southern Caucasus could become the scene of conflicts between opposing superpower ambitions and foreign commercial interests, and there is a pressing need for democratic forces to provide help without pursuing their own interests.

Reasons for a special EU strategy for South Caucasus

Within the European Union there is a growing awareness of the need to take a much greater interest in the southern Caucasus. In December 2000, the European Parliament called on the Commission to draw up a coherent 'south-eastern dimension' policy for the Caucasus¹. It is stated in the conclusions adopted by the Council on 27 February following a visit by the EU troika to the three countries of the southern Caucasus that the European Union wishes to play a more active political role in the region - and these words must be translated into practice. Moreover, the meagre financial resources the European Union sets aside for the southern Caucasus were recently cited by the Council as an example of the geographical imbalances in EU expenditure in the sphere of external relations.

The region's importance warrants the adoption of a common strategy by the Union. Owing to the high degree of interdependence between the countries of the southern Caucasus, Russia and other countries bordering the Caspian Sea, the common strategy should be supplemented with a coherent policy for the wider region, i.e. a 'south-eastern dimension'.

¹ Resolution on implementation of the European Union's common strategy on Russia of 13 December 2000 (OJ C 232, 17.8.2001, p. 176)

The Union's interest in the southern Caucasus cannot of course be about pursuing ambitions concerned with military strategy or attempts to control other countries' natural resources and economic systems. There are, however, a number of legitimate reasons why the Union should have a common strategy for the southern Caucasus:

1. Peace. The region is a powder keg, so there is a need for innovative plans, and external pressure, for establishing a regional security structure. Although the OSCE (which is already in situ) is most likely to be the most appropriate body to oversee such activities, there are nevertheless a number of possible roles for the Union's non-military conflict-solving mechanisms. Joint OSCE-EU measures for controlling the border with the northern Caucasus, which are now under discussion, could be an appropriate component of further OSCE-EU cooperation.

2. Humanitarian grounds. Large sections of the region's population are living under the poverty line of USD 1 per day. There are thus strong grounds for providing development aid on purely humanitarian grounds.

3. Co-responsibility. The catastrophic developments in the region during the 1990s were not entirely self-inflicted. Social and economic collapse was closely linked to the so-called shock therapy. Several politicians in key positions in the region are now openly saying that the liberalisation policies were pursued too rapidly and accusing the World Bank, the IMF and other western agencies of giving bad advice.¹ A study by the Centre for European Policy Studies describes the disastrous economic developments in the three countries during the 1990s as 'partly a result of liberalisation...caused by transition to a free market system'². Since the Union is a key player in the West's financial institutions, the EU may be said to have a certain co-responsibility that would warrant specific action to ensure a democratic, equitable and sustainable model of development in the southern Caucasus.

4. Democracy. Despite serious problems, there is a basis for the continued development of democracy in all three countries. An active civil society is evolving, in particular in Georgia. There is also a strong desire amongst the political elite to gain credit from the rest of the world for democratic conduct.

5. Trade. There is an obvious risk that the abundant fossil energy sources will create a Klondyke situation in which clans, mafias and foreign interests, in the absence of a stable peace and a properly functioning legal system, grab the natural resources without the large majority of the population deriving any benefit from them. In this regard, the Union could, by helping to ensure fair trade and clear ground rules, act as 'counsel' for the southern Caucasus in the international scramble for natural resources.

6. Environment. The environmental situation in the southern Caucasus is alarming in some

¹ Gagik Aslanyan, deputy speaker of the Armenian parliament, said during discussions with the rapporteur that 'during the 1991-1996 period, privatisation was carried out indiscriminately'. Yet he felt that one good thing had come out of this, namely that 'now the European Union has realised that it was the wrong approach, it is not giving the same advice to other countries'. A representative of the opposition Law and Order Party, Artashes Geramyanyan, felt that Armenia should take legal action against the World Bank and the IMF because of the disastrous advice they gave on liberalisation. In Georgia, Gogi Topadze, leader of the Industry Party, said 'because of blind obedience to the IMF we are sinking like the Titanic'.

² Annex A: Background on the economies of the Caucasus, in A Stability Pact for the Caucasus, CEPS, May 2000

respects and causes cross-border problems in a number of cases, e.g. pollution of the Caspian and Black Seas. Of particular cause for concern is the Medzamor nuclear power station in an earthquake zone in Armenia, which the Union is demanding be closed by 2004 at the latest. If this is to be possible, alternative energy sources must be found, and these are something the Union should be able help develop on the basis of its own positive experiences of various forms of solar energy.

7. Ambitions. Very strong requests have been made by practically all players in the region for the European Union to become more involved than in the past. The Union is felt to be more impartial than other outside bodies. Moreover, the southern Caucasus is regarded as being part of Europe, something which has been confirmed by the three countries' membership of the Council of Europe.

What has the European Union done so far?

The three partnership and cooperation agreements between the European Union and Armenia, Azerbaijan and Georgia respectively entered into force on 1 July 1999. In a joint declaration by the three countries' presidents in Luxembourg on 22 June 1999, it was stated that 'the Partnership and Cooperation Agreements are intended to facilitate the gradual rapprochement of the South Caucasus Republics to a wider area of cooperation in Europe and neighbouring region'.

In 1995, the Commission adopted its initial communication on EU strategy for relations with the Transcaucasian Republics (COM(1995) 205 - C4-0242/1996), containing proposals for a coordinated strategy for helping the three newly independent Transcaucasian states with their transition to democracy and a market economy. In a resolution of 17 January 1997, the European Parliament, on the basis of a report by Mrs Carrère d'Encausse (A4-0279/1996) stated that the objective of the EU strategy should be to (a) consolidate the independence of the three States concerned; (b) work towards finding a negotiated solution to the political crises which affect the Caucasus ... and taking account of possible interaction between various potential trouble spots; (c) promote democracy and civil society in the three States; (d) encourage the economic development of Armenia, Azerbaijan and Georgia within the framework of a social market economy and respect for the environment.

The Commission's latest communication 'The European Union's relations with the South Caucasus under the Partnership and Cooperation Agreements' (COM(1999) 272) contains a follow-up to the developments in the region and a situation report on EU economic and humanitarian aid, food aid and possible advantages of implementing the agreements entered into.

The Commission communication states that, from the time the countries became independent until the end of 1998, the European Union provided EUR 845 m in grant aid (Inogate and Traceca not included)¹, which was mainly in the form of emergency aid, food aid and rehabilitation aid in the conflict zones. A Centre for European Policy and Law has been set up under Tacis in order to foster implementation of international agreements, the strengthening

¹ Inogate= Inter-State Oil and Gas To Europe; Traceca=Transport Corridor Europe Caucasus Asia

of democratic institutions and regional cooperation. Moreover, partly as a result of the Green delegation's talks with President Aliyev¹, it has been possible to open an EU-funded Regional Environment Centre in Tbilisi.

What should the European Union do?

Peace: The South Caucasian Community²

The many conflicts of a political, ethnic and territorial nature have reached deadlock (though there are hopeful signs in the case of South Ossetia). None of the three breakaway regions, South Ossetia, Abkhazia and Nagorno-Karabakh, seem to be prepared to give up their demands for sovereignty. Neither of the two countries concerned, Azerbaijan and Georgia, is prepared to go further than a certain amount of self-government. Abkhazia and Nagorno-Karabakh in particular reject any form of subordination to Tbilisi and Baku respectively. A traditional federal structure, with regional autonomy under a joint central government is rejected categorically in Sukhumi and Stepanakert. It may also be asked why the Soviet administrative hierarchy is to be allowed to decide which former Soviet territories are to be granted sovereignty by the international community, and which will not have that right. The compromise proposed is described by the term 'common state', but this is rejected by Tbilisi and Baku. What it is supposed to mean is not clear. President Kocharian, for instance, considers it self-evident that there should not be any common government for Azerbaijan and Nagorno-Karabakh in a common state. Nevertheless, there would be only one state representing them internationally (in the UN, OSCE etc). How that is to be organised is not clear.

The war has also created new ethnic and territorial realities. The three breakaway republics, but in particular Abkhazia and Nagorno-Karabakh, have become ethnically homogeneous as a result of ethnic cleansing which has removed their Georgian and Azeri populations. Nagorno-Karabakh has also in practice annexed and 'Armenianised' the Lachin district and regards it, along with other Armenian-controlled, though formerly entirely Azeri, areas as being an integral part of its republic. Some of the parties involved speak of practical arrangements, e.g. leasing of rural areas/corridors for a fixed period or 'secure' routes. The 'winners' i.e. the breakaway republics and their backers (Russia and Armenia) are proposing 'pragmatic' solutions, for instance that communications (e.g. the Baku-Yerevan railway) be opened before a final peace settlement is reached, but the 'losers' (in particular the government in Baku) fears that this would deprive them of a means to exert pressure. The step-by-step method seems to be difficult to apply successfully without at least some idea of how things are meant to look in the end.

The conflict between certain regions' demands for sovereignty and the stiff opposition of the countries concerned, and of the international community, to 'separatism', can be resolved only within the context of cooperation based on the gradual development of cross-border contacts

¹ In February 2000, see footnote 1 on page 10.

² A detailed model for a South Caucasian Community, and for a Stability Pact for the Caucasus, is to be found in two documents from the Centre for European Policy Studies: A Stability Pact for Caucasus, Working Document no 145, May 2000, and A Stability Pact for Caucasus in Theory and Practice -supplementary note, by Michael Emerson, Nathalie Tocci, Elena Prokhorova, Yerevan 28 September 2000.

between individuals, organisations, institutions and businesses, and only if the administrative borders become less significant and the differences between the various tiers of administration are minimised. Within the European Union, there is a long list of concrete examples of structures which foster such cooperation (e.g. in Spain, the UK, Belgium, Italy, Ireland/Northern Ireland, etc).

The example with which the rapporteur is most familiar is that of the Nordic countries, in which five sovereign States, i.e. Sweden, Denmark, Finland, Norway and Iceland (with various forms of trade and security ties) and three autonomous territories (Faeroe Islands, Greenland and the Åland Islands), and, to a certain extent, one nation without a precisely demarcated territory (the Sami), work together in the framework of a structure providing for wide-ranging cooperation, which has long included a common labour market, cross-border movement without the requirement for passports, a council of ministers and a parliamentary assembly, as well as a further fifty or so institutions fostering cooperation in different fields. Taken together, this has created an informal 'Nordic citizenship', which has rendered administrative borders less significant whilst giving all peoples and linguistic groups a certain amount of self-determination.¹

The European Union ought to be able to take concrete steps to pass on knowledge of different models of regional cooperation that might be suitable for the southern Caucasus and help resolve the conflict-causing polarisation between sovereignty and non-sovereignty. The end result could be a South Caucasian Community².

The Union should also persist in its attempt to get specific regional projects underway, especially in the field of communications, including the projects referred to in the Commission communication: the Baku-Nakhichevan and Yerevan-Yulfa railways, a fibre-optic telecommunications network along the main rail axes, improved communications between Georgia and Russia. In spite of serious political problems (e.g. Armenia's reluctance to withdraw its troops from the southern railway, which Azerbaijan regards as a minimum step), the success of the Regional Environment Centre in Tblisi shows that projects in which all three countries cooperate, through EU mediation, can in fact get off the ground before the conflicts are finally resolved.

South Caucasus could be an arena for EU non-military conflict settlement measures. In particular, the civil peace corps advocated by the European Parliament could play a big part in overcoming the substantial mistrust that exists between the various ethnic groups, some of which will alas persist beyond eventual peace settlements. The Union should also help ensure strict arms controls and gradual, negotiated disarmament, possibly in the context of non-aligned arrangements.³

¹ Today's big immigrant groups are, however, not yet integrated into this system.

² During his visits, the rapporteur found that, in both South Ossetia and Nagorno-Karabakh, people knew something of European forms of autonomy and were interested in studying them further. The impression gained by the rapporteur is that the demands for sovereignty are partly based on bad experiences with "autonomy" within the Soviet Union, Azerbaijan and Georgia. If the Union can provide examples of arrangements that work better, the parties concerned in the southern Caucasus would take note.

³ All three countries are signatories to the CIS Tashkent Agreement. NATO-membership has been mooted by Georgian and Azerbaijani politicians, but is probably both unrealistic (NATO does not want it) and dangerous (Russia would oppose it). Neutrality/non-aligned status has been mooted as an alternative, e.g. by President Shevardnadze.

An enlarged area of cooperation: Black Sea-Caucasus-Caspian Sea

The substantial oil and gas deposits around the Caspian Sea are a long way from their main markets, which has resulted in the construction or planning of an extensive network of pipelines and other transport systems which pass partly or in their entirety through the countries of the southern Caucasus. Many people, including President Shevardnadze, talk optimistically of a new 'silk route' for transporting natural resources from Asia to Europe. Owing to unresolved conflicts and power politics, not all projects have been drawn up in the best way, and could instead in some cases exacerbate rather than mitigate conflicts. The Union's role in this 'big match' should primarily be to help bring about economically fair diversity so that all parts of the region reap the economic rewards and environmental risks, such as are caused by oil tankers in the Bosphorus, are prevented.

Instead of a situation where different routes for pipelines etc. are proposed on the basis of power politics, it would of course be ideal if transport links were planned jointly with the involvement of all interested parties, e.g. in the context of enlarged Black Sea-Caucasus-Caspian Sea cooperation (the Black Sea-Caucasus-Caspian Political Forum) sponsored by the Black Sea Economic Council, in which the Union, by virtue of its enlargement to include a number of Black Sea countries, will automatically become involved¹. The need to safeguard diversity is further highlighted by recent reports that the US-sponsored Baku-Tbilisi-Ceyhan (Turkish Mediterranean coast) oil pipeline project is rapidly gaining support. The choice of this route is obviously motivated by a desire to avoid crossing Armenian, Iranian or Russian territory. A reasonable overall solution to the pipeline issue cannot, however, have as a basis the objective of excluding certain countries, but should help to foster cooperation and integration. Besides, the availability of a number of alternative transport routes increases the security of supply to countries both inside and outside the region that are dependent on the transported resources.

Since Iran, Turkey and Russia are key players in the region, the European Union must help ensure that they are involved constructively in such cooperation in a way which promotes peace, democracy and environmentally sustainable and socially just economic development. It is probably alas practically impossible to avoid intervention by the world power USA in the region's affairs. But the European Union's goal must be to seek to strengthen the three southern Caucasian states' genuine independence and counteract any form of 'neo-colonialism'.

As far as Russia is concerned, a southern variant of the northern dimension (Baltic Sea and Barents Sea) could be a good move. The northern Caucasus has obvious interests in common with the southern Caucasus. National borders must not be allowed, either now or in the future, to become a new iron curtain between Russia and the southern Caucasus. A south-eastern dimension, however, implies reciprocal efforts, which means for instance that Russia must act in compliance with human rights standards in Chechnya and refrain from acting in a way which destabilises neighbouring countries, e.g. Georgia (like cutting off energy supplies, unilaterally requiring entry visas except for breakaway regions).

¹ Cf. proposals 18-20, Executive Summary, A Stability Pact for Caucasus

Iran's significance in the region is one of many reasons for the Union to adopt a more independent policy towards the country, without looking over its shoulders to see what the USA is doing. Recently, Russia and Iran have moved rapidly closer towards each other on security policy (especially as a result of new arms deals) and, to a certain extent, as regards the allocation of the Caspian Sea oil reserves. There is every reason for preventing a situation in which Iran is committed solely to a Russo-Iranian axis, but excluded from efforts to find lasting multilateral solutions to problems in the region.

Turkey's status as a candidate for membership of the European Union presents the Union with special opportunities and reasons to help ensure increased Turkish flexibility as regards conflicts in the region, especially in relation to Armenia; this is true with regard both to the closed borders and to the stance on the 1915 genocide. The recognition of the Armenian genocide by the European Parliament and by several Member States and the fact that the Turkish regime after the First World War had several of those responsible for the genocide severely punished ought to provide a basis for the EU to present constructive proposals to Turkey on the handling of the matter, e.g. by setting up an multilateral international committee of historians on the 1915 Armenian genocide¹.

On the way to EU membership

There exists amongst the political leaders of the three south Caucasian countries, as within the leadership of most opposition parties and grassroots movements, a strong feeling of European identity and a desire to become full members of the European Union in future. Work is already under way on aligning legislation with EU legislation, in particular in Georgia. It is not known how strong popular support for joining the European Union is. Nevertheless, it is important that the European Union states clearly that Georgia, Azerbaijan and Armenia are potential candidates for EU membership.

Specific EU aid and other programs in the southern Caucasus are extremely well received by the responsible politicians. Open criticism of EU conduct is unusual, although it has happened at interparliamentary meetings that the south Caucasian parties have refused to accept certain EU proposals that were felt to constitute excessive interference in their national integrity. In private, stronger criticism is voiced of the one-sidedness in the flow of advice and observations. The Union should do more, e.g. by organising south Caucasian cultural events in Member States, encouraging south Caucasians to comment on developments in the European Union, etc., to help create greater reciprocity and equality. The Union should also concentrate its political advice mainly on solving conflicts, on the environment, on democracy and on human rights. Economic and social developments in these countries are obviously relevant to the attempts to achieve peace and stability, to the Union's attempt to improve living conditions by providing aid and to the opportunities for attracting desirable investments, in particular from businesses in the Union. It therefore stands to reason that economic and social issues should be part of the cooperation agenda for the partnership

¹ Demands for 'recognition' of the genocide are often made by Armenian politicians. It is also pointed out (as it was both by the head of the genocide memorial in Yerevan and by the chairman of the Armenian parliament's legal affairs committee during the rapporteur's visit in March 2000) that Kemal Atatürk, in his address to the Grand National Assembly on 10 April 1921, stated that the Young Turk regime had committed 'genocide' against the Armenian people during the First World War. President Robert Kocharian stressed to the rapporteur that, whilst Armenia was demanding renewed recognition by Turkey of the genocide, this was not a sine qua non for Armenia as far as normalisation of relations between the two countries was concerned.

agreements with each one of the countries. In the political dialogue on economic issues and in all other respects, the Union must, however, carefully avoid making these countries take hasty decisions on privatisation or other 'shock therapy'-type measures of the kind that has already inflicted such great damage in most of the countries of the former Soviet Union. As far as trade policy is concerned, there are grounds for considering whether the Union should not regard the countries of the southern Caucasus as being amongst the least developed countries, so that they would then be covered by the 'everything-but-arms' policy.

It is also high time that the EU presence in Yerevan and Baku was upgraded so that they have the same status as the EU representation in Tblisi.

Stability Pact for the Caucasus

Taken together, the above and other measures could result in a Stability Pact for the Caucasus, a term which is increasingly frequently used both by research institutes and by the political circles concerned, albeit without it always being clear what the precise substance of such a pact would be.