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*Committee on Foreign Affairs*

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**2010/0289(COD)**

25.1.2011

## **OPINION**

of the Committee on Foreign Affairs

for the Committee on International Trade

on the proposal for a regulation of the European Parliament and of the Council  
introducing emergency autonomous trade preferences for Pakistan  
(COM(2010)0552 – C7-0322/2010 – 2010/0289(COD))

Rapporteur: Cristian Dan Preda

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## SHORT JUSTIFICATION

Presented after the unprecedented floods that devastated last summer a vast portion of Pakistan's territory, the Commission's proposal seeks to extend autonomous trade preferences to this country concerning 75 product lines of interest to Pakistan (mostly textile and clothing) in the form of exemption from custom duties, with the exception of one product (ethanol) for which a tariff-rate quota would apply.

The proposed measures should be welcomed as a perfect example of the synergies that the entry into force of the Treaty of Lisbon has made possible. While the EU and its Members states have already generously provided Pakistan with humanitarian aid, the extension of trade preferences to this country is part of a larger package of measures that would address the medium and long-term economic consequences of the catastrophic floods. Ensuring Pakistan's recovery and future sustainable development is extremely important not only for its citizens, but also for the security and the stability of the region. A stable and prosperous Pakistan that does not drift away into extremism or fundamentalism is obviously in EU's interest.

However, although the autonomous trade preferences would be extended to Pakistan for 3 years, a full impact assessment of the proposed measures has not been carried out by the Commission prior to the adoption of the proposal for a regulation. It is therefore preferable to limit the duration of the trade concessions to two years and make the extension of these preferences for another year conditional upon the conduct of a full impact assessment by the Commission. This assessment should not only address the effects of the measures on trade and production in the EU, but should also cover their effective impact on the population and fiscal resources of Pakistan, in particular with respect of the commitments of Pakistan to improve the effectiveness of its taxation system.

In addition, it should be noted that the Commission's proposal does not impose any burden on Pakistan in the field of human and social rights, contrary to what would have happened had GSP+ status been granted to this country.

Although it might be argued that, due to the particular set of circumstances that led to the decision to grant autonomous trade preferences to Pakistan, the proposed measures will not create a binding precedent, this explanation is not entirely convincing.

Indeed, it cannot be excluded that the decision to grant autonomous trade preferences for flood-stricken Pakistan may be followed by other similar initiatives in the future. Furthermore, there is a risk that adopting autonomous trade preferences decoupled from any kind of human rights conditionality would in fact undermine the current system of EU preferences based on the respect of a set of fundamental rights and values.

On a more general level, article 207 of the Lisbon Treaty stipulates that the EU commercial policy must be conducted in the context of the principles and objectives of the Union's external action. Consolidating and supporting democracy, rule of law and human rights figure prominently among the EU's objectives according to article 21(2) of the Treaty.

The situation of human rights in Pakistan must therefore be taken into account in the proposed regulation. A serious degradation of this situation could thus be a reason to suspend the application of the trade preferences awarded to Pakistan.

Finally, strict and verifiable compliance with the relevant rules of origin for products is necessary in order to ensure that the trade benefits awarded profit only those towards which

these measures are directed and truly help the recovery of the economy of Pakistan, while avoiding unfair conditions to the countries producing similar products, in particular GSP+ beneficiaries in the region and countries of the EU's Southern Neighborhood.

## AMENDMENTS

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

### Amendment 1

#### Proposal for a regulation

##### Recital 1

###### *Text proposed by the Commission*

(1) The relationship between the European Union and the Islamic Republic of Pakistan (hereinafter referred to as Pakistan) builds on the Cooperation Agreement which entered into force on 1 September 2004<sup>1</sup>. One of its main objectives is to secure the conditions for and to promote the increase and development of trade between the Parties.

###### *Amendment*

(1) The relationship between the European Union and the Islamic Republic of Pakistan (hereinafter referred to as Pakistan) builds on the Cooperation Agreement which entered into force on 1 September 2004<sup>1</sup>. One of its main objectives is to secure the conditions for and to promote the increase and development of trade between the Parties. ***Respect for human rights, including core labour rights, and democratic principles are also an essential element of that Agreement.***

### Amendment 2

#### Proposal for a regulation

##### Recital 4

###### *Text proposed by the Commission*

(4) It will be important to use all available means to support Pakistan's recovery from this emergency and progress towards future development.

###### *Amendment*

(4) It will be important to use all available means to support Pakistan's recovery from this emergency and progress towards future development, ***while ensuring that consistency and coherence is maintained at all levels with a view to developing a sustainable long-term strategy.***

### Amendment 3

#### Proposal for a regulation

##### Recital 7

###### *Text proposed by the Commission*

(7) It is therefore appropriate to extend autonomous trade preferences to Pakistan by suspending for a limited period of time all tariffs for certain products of export interest to Pakistan. ***The provision*** of these trade preferences ***would*** not cause any meaningful adverse effects on the domestic market of the Union ***and would not affect*** negatively least developed Members of the World Trade Organisation (WTO).

###### *Amendment*

(7) It is therefore appropriate to extend autonomous trade preferences to Pakistan by suspending for a limited period of time all tariffs for certain products of export interest to Pakistan ***provided that the award*** of these trade preferences ***does*** not cause any meaningful adverse effects on the domestic market of the Union, ***nor affects*** negatively least developed Members of the World Trade Organisation (WTO).

### Amendment 4

#### Proposal for a regulation

##### Recital 9

###### *Text proposed by the Commission*

(9) Entitlement to benefit from the autonomous trade preferences is conditional on Pakistan's compliance with the relevant rules of origin of products and the procedures related thereto as well as involvement in effective administrative cooperation with the Union in order to prevent any risk of fraud. Serious and systematic violations of the conditions for the entitlement to the preferential arrangement, fraud or failure to provide administrative cooperation for the verification of origin of goods should constitute reasons for a temporary suspension of the preferences. In this respect, the Commission should be permitted to adopt, if necessary, such temporary measures.

###### *Amendment*

(9) Entitlement to benefit from the autonomous trade preferences is conditional on Pakistan's compliance with the relevant rules of origin of products and the procedures related thereto as well as involvement in effective administrative cooperation with the Union in order to prevent any risk of fraud. Serious and systematic violations of the conditions for the entitlement to the preferential arrangement, fraud or failure to provide administrative cooperation for the verification of origin of goods ***or a serious deterioration in the respect for the fundamental principles of democracy and human rights in Pakistan, including core labour rights***, should constitute reasons for a temporary suspension of the preferences.

In this respect, the Commission should be permitted to adopt, if necessary, such temporary measures.

## Amendment 5

### Proposal for a regulation Recital 13

#### *Text proposed by the Commission*

(13) In order to ensure an immediate and sustainable impact on the economic recovery of Pakistan in the aftermath of the floods it is recommended ***to limit the duration of the trade preferences until 31 December 2013.***

#### *Amendment*

(13) In order to ensure an immediate and sustainable impact on the economic recovery of Pakistan in the aftermath of the floods it is recommended ***that the continuation of the trade preferences until the maximum deadline of 31 December 2013 be subject to an assessment of their effective impact on the population of Pakistan and of the implementation of the policy reforms necessary to ensure that the relevant industries contribute effectively to fiscal resources.***

## Amendment 6

### Proposal for a regulation Article 2

#### *Text proposed by the Commission*

Entitlement to benefit from the arrangements introduced by Article 1 shall be subject to:

(a) compliance with the rules of origin of products and the procedures related thereto as provided for in Title IV, Chapter 2, Section 1, sub-section 1 and 2 of Regulation (EEC) No 2454/93. However, as regards cumulation of origin for the purpose of the determination of originating status of products covered by the arrangements introduced in Article 1, only

#### *Amendment*

***1.*** Entitlement to benefit from the arrangements introduced by Article 1 shall be subject to:

(a) compliance with the rules of origin of products and the procedures related thereto as provided for in Title IV, Chapter 2, Section 1, sub-section 1 and 2 of Regulation (EEC) No 2454/93. However, as regards cumulation of origin for the purpose of the determination of originating status of products covered by the arrangements introduced in Article 1, only

cumulation with the materials originating in the EU is allowed. Regional cumulation and other types of cumulation with the exception of the cumulation with the EU originating materials, is not allowed;

(b) compliance with the methods of administrative cooperation as provided for in Title IV, Chapter 2, Section 1, sub-section 3 of Regulation (EEC) No 2454/93;

(c) certificates of origin Form A issued by the competent authorities of Pakistan pursuant to this Regulation should bear the following endorsement in box 4 “Autonomous measure – Regulation (EU) No .../2010”.

cumulation with the materials originating in the EU is allowed. Regional cumulation and other types of cumulation with the exception of the cumulation with the EU originating materials, is not allowed;

(b) compliance with the methods of administrative cooperation as provided for in Title IV, Chapter 2, Section 1, sub-section 3 of Regulation (EEC) No 2454/93;

(c) certificates of origin Form A issued by the competent authorities of Pakistan pursuant to this Regulation should bear the following endorsement in box 4 “Autonomous measure – Regulation (EU) No .../2010”.

***2. Without prejudice to the conditions set out in paragraph 1, entitlement to benefit from the preferential arrangements introduced by Article 1 is subject to respect for human rights, including core labour rights, and the fundamental principles of democracy by Pakistan.***

## **Amendment 7**

### **Proposal for a regulation**

#### **Article 9 – paragraph 1 – introductory part**

##### *Text proposed by the Commission*

1. Where the Commission finds that there is sufficient evidence of failure to comply with the conditions set out in Article 2 it may take measures to suspend in whole or in part the preferential arrangements provided for in this Regulation for a period of not more than six months, provided that it has first:

##### *Amendment*

1. Where the Commission finds that there is sufficient evidence of failure to comply with the conditions set out in Article 2, ***including evidence of social dumping or if a serious deterioration occurs with regard to democracy and human rights in Pakistan***, it may take measures to suspend in whole or in part the preferential arrangements provided for in this Regulation for a period of not more than six months, provided that it has first:

## Amendment 8

### Proposal for a regulation Article 10 - paragraph 4

*Text proposed by the Commission*

4. This Regulation shall apply until 31 December **2013**.

*Amendment*

4. This Regulation shall apply until 31 December **2012**.

*No later than 18 months after its entry into force, the Commission shall carry out a full assessment of the impact of this Regulation on the trade and production of the products concerned by this Regulation in the Union, as well as of the effect of the trade preferences on the economy, the situation of the population and the fiscal resources of Pakistan and submit a report to the European Parliament and to the Council. The European Parliament and the Council may, on the basis of this report, decide to extend the application of this Regulation until 31 December 2013.*



## PROCEDURE

<b>Title</b>	Emergency autonomous trade preferences for Pakistan	
<b>References</b>	COM(2010)0552 – C7-0322/2010 – 2010/0289(COD)	
<b>Committee responsible</b>	INTA	
<b>Opinion by</b> Date announced in plenary	AFET 19.10.2010	
<b>Rapporteur</b> Date appointed	Cristian Dan Preda 23.11.2010	
<b>Discussed in committee</b>	13.1.2011	25.1.2011
<b>Date adopted</b>	25.1.2011	
<b>Result of final vote</b>	+: –: 0:	61 1 2
<b>Members present for the final vote</b>	Gabriele Albertini, Pino Arlacchi, Dominique Baudis, Bastiaan Belder, Franziska Katharina Brantner, Elmar Brok, Arnaud Danjean, Marietta Giannakou, Ana Gomes, Andrzej Grzyb, Takis Hadjigeorgiou, Heidi Hautala, Richard Howitt, Anna Ibrisagic, Jelko Kacin, Tunne Kelam, Nicole Kiil-Nielsen, Maria Eleni Koppa, Andrey Kovatchev, Wolfgang Kreissl-Dörfler, Eduard Kukan, Vytautas Landsbergis, Ryszard Antoni Legutko, Krzysztof Lisek, Sabine Lösing, Ulrike Lunacek, Barry Madlener, Mario Mauro, Kyriakos Mavronikolas, Willy Meyer, Alexander Mirsky, Annemie Neyts-Uyttebroeck, Norica Nicolai, Raimon Obiols, Alojz Peterle, Bernd Posselt, Cristian Dan Preda, Fiorello Provera, Libor Rouček, José Ignacio Salafranca Sánchez-Neyra, Nikolaos Salavrakos, Jacek Saryusz-Wolski, Werner Schulz, Adrian Severin, Marek Siwiec, Ernst Strasser, Charles Tannock, Inese Vaidere, Geoffrey Van Orden, Kristian Vigenin, Graham Watson, Boris Zala	
<b>Substitute(s) present for the final vote</b>	Véronique De Keyser, Kinga Gál, Liisa Jaakonsaari, Elisabeth Jeggle, Evgeni Kirilov, Georgios Koumoutsakos, Barbara Lochbihler, Norbert Neuser, Miroslav Ouzký, Godelieve Quisthoudt-Rowohl, György Schöpflin, Indrek Tarand	
<b>Substitute(s) under Rule 187(2) present for the final vote</b>	Sylvie Guillaume	