Emergency autonomous trade preferences for Pakistan

2010/0289(COD) - 07/10/2010 - Legislative proposal

PURPOSE: to introduce emergency autonomous trade preferences for Pakistan.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: against the background of the unprecedented and devastating floods in Pakistan in July and August 2010, the European Council at its meeting on 16 September mandated Ministers to agree urgently a comprehensive package of short, medium and longer term measures which will help underpin Pakistan's recovery and future development. These should, inter alia, include ambitious trade measures granting, exclusively to Pakistan, increased market access to the EU through the immediate and time limited reduction of duties on key imports from Pakistan.

The European Council invited the Commission to present in October a proposal for a Regulation of the European Parliament and of the Council to unilaterally suspend duties on certain imports from Pakistan for a limited period of time.

IMPACT ASSESSMENT: no impact assessment was carried out.

LEGAL BASE: Article 207(2) of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: this proposal **extends 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).

60% of Pakistan's exports to the EU are textiles and clothing. Consequently, a large number of products proposed for liberalisation are textiles and clothing. Yet, since the product scope should be as broad as possible, it also includes other industrial and agricultural products in order not to undermine Pakistan's efforts to diversify its industries and exports base.

A list of **75 dutiable products lines** of importance for Pakistan's exports has been established. The selected product lines amount to almost **€900 million in import value**, accounting for about 27% of EU imports from Pakistan (€3.3 billion). Liberalising these 75 lines, of which one product line (ethanol) would be subject to an annual tariff rate quota of 100 000 tonnes based on past imports, would result in an estimated increase in EU imports from Pakistan of around €100 million per year compared to 2009, while lowering tariff revenue for the EU budget by slightly more than €80 million.

The autonomous trade preferences will be either in the form of an exemption from customs duties upon import in the Union or in the form of tariff-rate quotas.

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.

Given the urgency of the situation in Pakistan, the Regulation should apply as of 1 January 2011, provided that the WTO has approved the request from the Union for the waiver from its obligations under GATT Articles I and XIII.

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.

FINANCIAL IMPLICATION: the proposal has no financial impact on expenditure but has a **financial impact on revenue**. In total the gross loss in customs duties amounts to €82.4 million, while the net loss would be 25% lower (Member States' collection costs) at **€61.8 million**. These figures build on the assumption that Pakistan currently fully makes use of its preferential access to the EU market.