# Emergency autonomous trade preferences for Pakistan

2010/0289(COD) - 10/05/2011 - Text adopted by Parliament, partial vote at 1st reading/single reading

The European Parliament amended, under the ordinary legislative procedure, the proposal for a regulation of the European Parliament and of the Council introducing emergency autonomous trade preferences for Pakistan.

**The vote on the resolution was postponed** until a later plenary session.

The main amendments made to the Commission proposal are as follows:

**Support the rehabilitation of Pakistan**: Parliament calls on the EU to use all available means to support Pakistan's recovery from this emergency, including the proposed exceptional trade measures to boost Pakistan's exports in order to contribute to its future economic development while ensuring that consistency and coherence is maintained at all levels with a view to developing a sustainable long-term strategy. The severity of this natural disaster demands an immediate and substantial response, which would take into account the geostrategic importance of Pakistan’s partnership with the Union, mainly through Pakistan's key role in the fight against terrorism, while contributing to the overall development, security and stability of the region. In this context, the Commission proposed a package identifying 75 tariff lines specific to Pakistan's core export sectors in those areas worst hit by the floods, **asserting that an increase in Pakistani exports to the Union of EUR 100 million or more a year would provide real, substantial and worthwhile assistance to the region**.

**Products covered by the proposed mechanism and exceptional nature of the measure**: the resolution recalls that Pakistan's trade with the Union is mainly composed of **textiles and clothing products** which according to the Commission accounted for 73.7% of Pakistani exports to the Union in 2009, but also ethanol and leather, which are sensitive industrial products in certain Member States where jobs in the industry have already been heavily impacted by the global recession and the industries are struggling to adapt to a new global trading environment. Parliament stresses that the textiles sector is of key importance to the Pakistani economy, accounting for 8.5% of GDP and employing 38% of the labour force about half of whom are women. Given the hardship being suffered by the Pakistani people due to the devastating floods, Members consider it **appropriate to extend exceptional 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 should only cause limited adverse effects on the domestic market of the Union and should not affect negatively least developed Members of the World Trade Organisation (WTO).

**Immediate impact**: through an amendment adopted in plenary, Parliament calls for this Regulation to apply for 12 months after its entry into force (instead of 31.12.2013 as proposed by the Commission). Before that date the Commission shall submit a report on the impact assessment of this Regulation to the European Parliament and to the Council. On the basis of a new legislative proposal made by the Commission, the European Parliament and the Council shall decide whether to extend the application of this Regulation for another year.

**Granting exceptional autonomous trade preferences**: Parliament confirms that the granting of autonomous trade preferences is linked to respect for the fundamental principles of democracy and human

rights. If Pakistan adopts measures restricting human rights and workers' rights, gender equality or religious rights or if it provides terrorist organisations of any kind with backing or support, the Commission shall immediately propose to repeal this Regulation.

Moreover, it is also conditional on Pakistan abstaining from **maintaining, introducing or increasing duties or charges having equivalent effect** or any other restriction or prohibition on the export or sale for export of any materials primarily used in the production of any of the products covered by this Regulation destined for the territory of the Union. In this case, safeguard measures should be immediately introduced.

**Surveillance and monitoring of the effects of measures proposed by the EU market**: in order to ensure effective monitoring of the trends of imports of products covered by this Regulation as far in advance as possible, Members consider it necessary to establish customs surveillance on imports covered by this Regulation. On the basis of this monitoring a quarterly report on the application and implementation of this Regulation should be submitted.

The autonomous trade preferences granted to Pakistan should be subject to an annual impact assessment, conducted by the Commission and presented to Parliament and the Council, which allows for adjustments to be made based on the actual volume of imports and the possible repercussions for the sectors specifically concerned by this Regulation.

**Safeguard measures**: in favour of an oral amendment adopted in plenary, the resolution stipulates that at the request of a Member State, **any legal person or any association not having legal personality acting on behalf of the Union industry**, or on the Commission's own initiative, the Commission shall take a formal decision to initiate an investigation within one month. Where the Commission decides to initiate an investigation, it shall publish a notice in the Official Journal of the European Union announcing the investigation. The Commission shall seek all information it deems necessary and may verify the information received with Pakistan and any other relevant source. It may be assisted by officials of the Member State on whose territory verification might be sought, if that Member State so requests. In examining whether there are serious difficulties, the Commission shall take account, inter alia, of the following factors: market share; production; stocks; prices, etc. The Commission shall decide whether to impose definitive safeguard measures.

**Surveillance measures**: in parallel, when the trend in imports of one of the products included in Annex I (Products for which the customs duty is exempted, notably textiles) originating in Pakistan is such that it could lead to a safeguard measure, the Commission may decide to subject the imports of that product to prior Union surveillance. Surveillance measures shall have a limited period of validity. Unless otherwise provided, they shall cease to be valid at the end of the second six-month period. This surveillance shall provide for updated and timely data, in volume and value. These data shall be immediately made available to Member-States, the European Parliament and economic operators.

**Delegated acts**: in order to ensure uniform conditions for the implementation of this Regulation concerning **temporary suspension, surveillance and safeguard**, Members call for measures implementing powers to be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No. 182/2011 of the European Parliament and of the Council.

In this context, Parliament recommends the use of the **advisory procedure for the adoption of surveillance and provisional safeguard measures** in order to take into account the effects of these measures and their sequential logic in relation to the adoption of definitive safeguard measures. The same applies with regard to the suspension of preferences when the conditions for entitlement to the preferential arrangements are not fulfilled since the Commission is thereby only acting upon factual evidence and is not required to use political discretion.

In parallel, in order to make the necessary technical adaptations to the list of goods for which the autonomous trade preferences apply and to introduce tariff rate quotas **where volumes of imports covered by this Regulation increase beyond certain levels**, Parliament calls for the Commission to be empowered to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union in respect of amending **Annex I and Annex II** to reflect changes in the combined nomenclature and to introduce new quotas. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing-up delegated acts, should also ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and Council. Moreover, the European Parliament or the Council may object to a delegated act adopted under the urgent procedure.

It should be noted that in each case, the power conferred on the Commission in the first paragraph shall **not go so far as to allow it to introduce additional products not included in the lists** in Annexes I and II of this Regulation.

**Annexes**: Plenary made amendments to the Annexes of the Regulation by adding certain products to the products already covered by the Regulation.