Emergency autonomous trade preferences for Pakistan

2010/0289(COD) - 13/09/2012 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 342 votes to 97, with 165 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council introducing emergency autonomous trade preferences for Pakistan. The matter had been referred back for re-examination by the committee responsible during the session of 10 May 2011.

Parliament adopted its position in first reading following the ordinary legislative procedure. The amendments adopted in plenary are the result of a compromise negotiated between Parliament and Council.

Support the rehabilitation of Pakistan: the main objective is for the EU to use all available means to support Pakistan's recovery from serious floods in 2010, including exceptional trade measures to boost Pakistan's exports in order to contribute to its future economic development. 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. It is in this context that the Commission proposed **this exceptional measure** comprising 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: it is recalled that Pakistan's trade with the Union is mainly composed of textiles and clothing products (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. It is alo stressed 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.

This is the reason why the proposed autonomous trade preferences affect these sectors and are of an exceptional nature. The purpose is to **suspend for a limited period of time all tariffs for certain products of export interest to Pakistan, with only limited adverse effects on the EU’s domestic market**. Under no circumstances should they **constitute a precedent** for the Union's trade policy with other countries.

Need for a derogation from WTO rules: to grant the autonomous trade preferences to a single country, the EU has had to obtain a special derogation from the World Trade Organisation (WTO). This derogation was blocked by WTO member countries, such as India and Bangladesh, which were concerned about the eventual impact on their own markets. This derogation was however obtained by the General Council of the WTO, on 14 February 2012.

Conditions for the granting of exceptional trade preferences: the granting of the envisaged autonomous trade preferences will be linked to:

- compliance with the rules of origin of products and the procedures related thereto as provided for in Regulation (EEC) No 2454/93 on the Community Community Customs Code, with the exception of certain products specifically cited in the Regulation;

- the **absence of serious and systematic violations of human rights in Pakistan**, including core labour rights, fundamental principles of democracy and the rule of law;

- Pakistan abstaining from introducing new or increasing **existing export 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 these preferential arrangements destined for the territory of the Union, from 1 July 2012.

Removal of products from the scope of this Regulation: to limit the effect of the exceptional measures on the European industry and employment in the textile, clothing, ethanol and leather sectors as a result of increases in cheap imports, the Commission will be permitted to reintroduce tariff duties **if the imports of the products in question increase, in volume, by 25% or more**, in 2012 and 2013, based on customs import data of a product originating in Pakistan. The Commission, in this instance, shall be empowered to adopt delegated acts to remove that product from the scope of this Regulation for the remainder of that year. In this case, imports of the product shall be subject to most-favoured nation or other applicable duties.

Likewise, the Commission shall be empowered to adopt delegated acts to amend the Annexes in order to **incorporate amendments and technical adjustments** made necessary by amendments to the Combined Nomenclature and to the TARIC subdivisions.

Implementation: in order to react swiftly and ensure the integrity and orderly functioning of the autonomous trade preferences for Pakistan and in order to ensure uniform conditions for the implementation of this Regulation concerning temporary suspension due to non-compliance with customs-related procedures and obligations, due to serious and systematic violations of the fundamental principles of human rights, democracy and the rule of law by Pakistan, or due to Pakistan not respecting the condition that it abstain from 1 July 2012 from introducing new or increasing existing export duties or charges having equivalent effect or any other restriction or prohibition on the export or sale for export of any materials used in the production of the products covered by this Regulation, powers are conferred on the Commission to **adopt immediately applicable implementing acts**, **where imperative grounds of urgency so require**. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council.

Delegated implementing measures: in order to make the necessary technical adaptations to the **list of goods for which the autonomous trade preferences apply** and to remove products from the scope of this Regulation where volumes of imports covered by this Regulation increase beyond certain levels the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of amending Annexes I and II to reflect changes in the combined nomenclature and to remove products from the scope of this Regulation. The Commission shall carry out appropriate consultations during its preparatory work, including at expert level. The Commission shall ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.

In order to address without delay significantly increased imports of the products exempted from customs duties when imported into the Union and which may have an adverse impact upon Union producers, the Commission should adopt delegated acts removing products from the scope of this Regulation under the **urgency procedure**.

Report: no later than 31.12.2015, the Commission should submit a report to the European Parliament and to the Council on **the effects of these autonomous trade preferences**. That report should include a detailed analysis of the effects of these preferences on the economy of Pakistan and their impact on trade and the Union's tariff income as well as on the Union economy and jobs. In reporting, the Commission should take into account in particular the effects of the autonomous trade preferences in terms of job creation, poverty eradication and the sustainable development of Pakistan's working population and poor.

Annexes: the Annexes to the Regulation are amended in accordance with the spirit of the amendments to the Regulation:

- **Annex I:** Products for which the customs duty is exempted include a list of textile products: various types of cotton fabrics, synthetic fabrics and other clothing items, as well as other furnishing textile products or curtains;
- **Annex II:** Products subject to annual duty free tariff quotas with limitations on imports fixed in the Regulation (maximum tonnage): ethyl alcohol, leather skins and other leather articles, garments, different types of cotton and polyester yarns, as well as various types of footwear.

Entry into force: the Regulation will be applicable until 31 December 2013, in accordance with the provisions of the WTO derogation.