Emergency autonomous trade preferences for Pakistan

2010/0289(COD) - 30/11/2015 - Follow-up document

The Commission presents a report analysing the operation and effect of Regulation (EU) No 1029/2012 introducing emergency autonomous trade preferences (ATP) for Pakistan. To recall, the Regulation is part of the EU's response to the floods from July to September 2010 that affected extensive parts of Pakistan. It is intended to underpin Pakistan's recovery and future development. The Regulation granted trade preferences to Pakistan for 75 products, comprising:

- Annex I products: 49 products that could be imported into the EU without duties or quantitative limitations
- Annex II products: 26 products that could be imported at zero duty subject to quantitative limitations, i.e. tariff rate quotas.

While the preferences were granted from 15 November 2012 to 31 December 2013, the analysis is focused on the calendar year 2013, which is compared to the average imports over the three preceding years (2010, 2011 and 2012). Data is based on the EU of 27 Member States (EU27) since Croatia's accession took place on 1 July 2013.

Effects on trade: EU imports of ATP products from Pakistan amounted to EUR1.5 billion in 2013 and increased by EU 348 million or 31.5% in 2013 compared to the average of 2010-12. Since EU imports of ATP products accounted for around 33% of total imports from Pakistan, it could be said that **ATP imports substantially contributed to the increase of 9.4% in total imports from Pakistan in 2013** (imports of all other products than those under the ATP only increased by 1.1%).

The total EU imports of ATP products from Pakistan were almost equally divided between Annex I and Annex II products. On average, imports of Annex II products increased slightly more (34%) than Annex I products (29%), which was mainly due the substantial increase in imports of one product in Annex II (22071000 undenatured ethyl alcohol). If this product is not taken into account, imports of Annex II products increased by 25% on average.

An analysis of EU imports from the world and countries with similar trade preferences (those benefiting from zero duties under the EU's Generalised System of Preferences (GSP)) shows that imports from Pakistan under the ATP lines have on average performed better than total EU imports from the world, but **fared less well than imports from countries with similar trade preferences.** One likely explanation for the sharp increase of imports from GSP zero beneficiaries (66.2%) is the reform of the EU's GSP rules of origin (applicable from 1 January 2011) which substantially relaxed them for the Least Developed Countries, including for textiles and clothing. The main source of the increase is Bangladesh, which accounted for around 65% of the GSP zero beneficiary imports.

Effects on EU production and jobs: the report discusses the figures for and changes in EU27 production and employment in manufacturing. It notes that it is difficult to isolate the possible effects of imports from Pakistan under the ATP from a number of other factors that can influence EU production, employment and markets such as the weak economic development in several EU Member States, exchange rates, business cycles, consumer confidence, interest rates etc. It is therefore difficult to draw explicit conclusions on whether EU imports from Pakistan under the ATP have affected EU production and employment, especially in more specific sectors or products. The Commission examines the figures available and states that an overall conclusion would seem to be that the **impact of ATP imports from**

Pakistan on EU production has been limited. The ATP imports probably have contributed to increased import competition on the EU market, in particular within product sections where Pakistan was already among the major suppliers to the EU. However, this possible contribution to import competition needs to be seen relative to the one related to the **much more substantial increase of imports from GSP zero beneficiaries.**

Effects on jobs, growth and poverty in Pakistan: the ATP were aimed at supporting Pakistan's economic recovery over the mid- to long-term by generating additional exports from Pakistan to the EU. A possible indication of the cost to the EU budget of these additional exports could be seen as represented by the **foregone tariff revenue of EUR 84.6 million.**

The Commission considers that it is difficult to draw explicit conclusions on the possible impact of the ATP on growth, jobs and poverty in Pakistan. Recent and relevant data is not available for a more detailed analysis. More importantly, it would be **difficult to isolate the possible impact of the ATP from other external and internal factors** affecting growth, employment and sustainable development in Pakistan. Nonetheless, taking into account the EU's share in Pakistan's exports to the world, in particular with regard to textiles and clothing, and the relative importance of the textiles industry to Pakistan's economy, including employment, the ATP could **potentially have made a contribution to economic recovery**. This would appear to be supported to a certain extent by the fact that EU imports from Pakistan, in total and for main exports sectors, after showing recovery from the 2007/2008 financial crisis, dipped or stagnated in 2012, but recovered again in 2013.

In conclusion, the report confirms that it is not possible to draw explicit conclusions on the impact the ATP might have had on the EU's economy or jobs, or on job creation, poverty eradication and the sustainable development in Pakistan. This is mainly due to the difficulty of isolating the possible effects of the ATP from other important factors such as the overall economic situation in the EU and Pakistan, business cycles, exchange rates, industrial and employment policies and programmes etc. Lack of specific and relevant data, in particular related to employment and wages in Pakistan, has also been a limiting factor.