

Brussels, 13 MAI 2011
C/2011/ 3184

Dear President,

The European Commission would like to thank the Portuguese Parliament for its opinion on the Commission's proposal for a Regulation of the European Parliament and of the Council introducing emergency autonomous trade preferences for Pakistan {COM(2010) 552}.

Europe remains concerned about the devastating impact of the floods in Pakistan which destroyed livelihoods and communities throughout the country. The scale of the disaster is unprecedented in Pakistan's history. The effect on humanitarian needs and to its fragile economy is still immense. The severity of this crisis demanded an immediate and substantial response, taking into account the strategic importance of Pakistan's development, security and stability in the region, and measures are also required to support Pakistan's recovery in the medium term.

Last year on 16 September, the European Council invited the European Commission to propose a comprehensive package of short, medium and longer term measures to help underpin Pakistan's recovery and future development. The European Council recognised, that in addition to the immediate and significant humanitarian and development assistance, ambitious trade measures are essential for Pakistan's economic recovery and growth. Trade should therefore be part of the medium-term response to this natural disaster.

On 14 October 2010, the Commission presented its proposal for a Regulation of the European Parliament and of the Council introducing emergency autonomous trade preferences exclusively for Pakistan. The proposed preferences would suspend import duties on 75 selected export items (with no possibility to extend the list) from Pakistan covering less than 27% of Pakistan's imports to the EU for a limited period of time.

Given the nature of Pakistan's industrial base and export basket where textiles account for more than 60%, a large number of products for which liberalisation is proposed are textiles.

The Commission is aware that any such trade concessions, if not reciprocal, can potentially have an overall impact on the EU industry and, in particular on the industry in Portugal. Therefore, in the selection of the product lines the Commission paid particular attention to the sensitivities of EU industry, and particularly to the EU textile and clothing sector.

Consequently, certain products that are key export items for Pakistan but on which the EU industry is directly competing have been excluded from the list.

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The products selected and the time-limitation of the measures are designed to limit the impact on the EU industry while providing the necessary short-term relief to Pakistan's economy. The potential increase in EU imports (€ 100 million) corresponds to less than 0.5% of EU production value of the liberalised items (€ 24 billion). Thus, the potential impact on EU industry is likely to be very modest.

Following discussions in the Council on the proposal, the Commission would like to inform the Portuguese Parliament that the Council has amended some elements of the Commission' initial proposal in that

(i) 7 textiles and clothing products lines should be subject to annual tariff rate quotas rather than fully liberalised;

(ii) the duration of the preference should be for two years with a possibility to extend it by one year.

Furthermore, the Council is also considering provisions for a safeguard clause, for introducing new tariff rate quotas and a surveillance mechanism designed to address and limit potential surges of imports from Pakistan.

The Council and the European Parliament are expected to continue their deliberations of the Commission proposal over the next weeks. Discussions in the World Trade Organisation on the EU's request for an exemption from the Most Favoured Nation principle (waiver) are also still ongoing.

The Commission trusts that the Portuguese Parliament agrees that the EU has all interest in a stable situation in Pakistan and in the region as a whole. The envisaged trade measures reflect the desire of the European Council to assist Pakistan effectively, but are also designed to limit the potential impact on EU industry.

The Commission hopes that these clarifications address the concerns expressed by the Assembly of the Republic of Portugal.

Yours faithfully,