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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

**Report on the operation and effect of Regulation (EU) No 1029/2012 introducing
emergency autonomous trade preferences for Pakistan**

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1. Introduction

As part of the EU's response to the devastating floods from July to September 2010 that affected extensive parts of Pakistan, the European Council, in a Declaration on Pakistan attached to its Conclusions of 16 September 2010, resolved to mandate Ministers to agree urgently on a comprehensive package of short, medium and longer term measures which would help underpin Pakistan's recovery and future development, comprising *inter alia* ambitious trade measures essential for economic recovery and growth.

Regulation (EU) No 1029/2012 of the European Parliament and of the Council of 25 October 2012 introducing emergency autonomous trade preferences for Pakistan (hereafter referred to as "the Regulation"), granted trade preferences to Pakistan for 75 products. These trade preferences came in the form of 49 products that could be imported into the EU without duties or quantitative limitations (those listed in Annex I of the Regulations) and 26 products that could be imported at zero duty subject to quantitative limitations, i.e. tariff rate quotas (products listed in Annex II of the Regulation).

2. Methodology

The analysis regarding the effects on trade is primarily based on examining the evolution of imports from Pakistan into the EU for the products covered by the autonomous trade preferences. 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). Due to data availability and for ease of data comparison, data is based on the EU of 27 Member States (EU27) since Croatia's accession took place on 1 July 2013. Also for reasons of data availability, reliability and comparability the analysis is based on data measured in value rather than quantity. The main data source for EU imports from Pakistan is Eurostat (COMEXT). The analysis of effects on EU economy and jobs has been mainly based on examining production and employment data based on, *inter alia*, Eurostat Prodcom data (NACE Rev 2.0). The analysis is also mainly focused on the textiles and clothing sectors since these occupied the majority of products covered by the autonomous trade preferences.

In the text below, the autonomous trade preferences are referred to as "ATP", the products covered by the Regulations as either "ATP lines" or "ATP products" or as the case may be to "Annex I products" and "Annex II products". In the tables, but also in the text below, reference is made mainly to the Combined Nomenclature (CN) code of a product. The product description associated to the CN codes can be found in the respective annexes of the Regulation.

3. Operation of the Regulation – Tariff Rate Quota Management

Annex II products were subject to tariff rate quotas (TRQ), which according to Article 3 of the Regulation were administered in accordance with Article 308a, 308b and 308c of Regulation (EEC) no 2454/93. Table 10 at annex shows the utilisation of the tariff rate quotas. In 2013 seven tariff lines filled or almost filled the quota allocated: 22071000, 41079210, 61033200, 61099020, 61159500, 62046231 and 64039993. Of these seven tariff lines, except 22071000, the total volume of imports surpassed the TRQ, however the exceeding imports (i.e. the out of quota imports) entered the EU under either MFN or GSP duties. Duty-free imports under one tariff line, 64039993, seem to have very slightly surpassed the allocated TRQ by 1.5 tonnes or 0.06% of the TRQ¹. The average weighted TRQ utilisation rate in 2012 (15 November to 31 December) was 11.3% and in 2013 76.8%.

4. Effect of the Regulation

4.1 Effects on Trade

Generally, Pakistan ranks as the EU's 47th trade partner in terms of overall trade, 44th in terms of imports and 51st as an export partner. Figure 1 illustrates the evolution of bilateral trade over the past decade, showing that total bilateral trade has overall developed positively. During this period the EU has had a slight trade surplus between 2005 and 2009, which turned into a deficit from 2010.

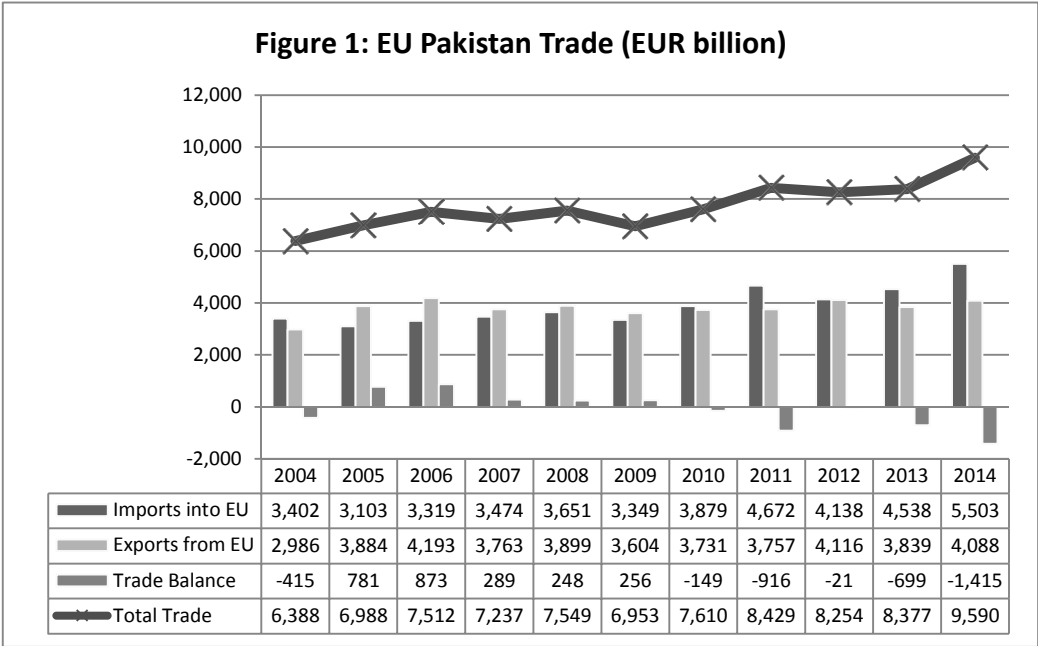


Table 1 illustrates EU27 imports from Pakistan in total, those related to ATP products and all other products (i.e. total imports minus ATP imports). EU imports of ATP products from Pakistan amounted to EUR1.5 billion in 2013 and increased by EUR348 million or 31.5% in 2013 compared to the average of 2010-12. Since EU imports of ATP products accounted for

¹ This is estimated to represent a value of EUR16,000 and EUR1,300 in duties that should have been collected.

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.

	Average 2010-12	2013	Change in EUR	Change in %	ATP lines % of total 2010-12	ATP lines % of total 2013
Total imports all products	4,052,937	4,433,584	380,647	9.4%		
Imports ATP products	1,107,696	1,456,242	348,546	31.5%	27.3%	32.8%
Annex I	561,415	723,787	162,373	28.9%	13.9%	16.3%
Annex II	546,282	732,455	186,173	34.1%	13.5%	16.5%
All other products	2,945,241	2,977,342	32,101	1.1%		

Source: calculations based on Eurostat Comext data.

Table 2 summarises the use of ATP preferences, i.e. those imports that actually benefited from the ATP preferences and other tariff regimes used. This indicates that on average around 65% of imports under the ATP lines benefited from the ATP preferences. The imports using the ATP, EUR942 million, accounted for 21% of EU's total imports from Pakistan in 2013.

	Average 2010-12	2013	Share of ATP imports 2013	Share of total imports 2013
Total imports ATP lines	1,107,696	1,456,242		
Under ATP preferences	21,032 ¹	942,374	64.7%	21.3%
Under GSP	1,024,628	353,499	24.3%	8.0%
Under MFN	76,058	160,369	11.0%	3.6%

¹ Only relates to ATP given 15 November to 31 December 2012

Source: calculations based on Eurostat Comext data.

EU imports from the world (Extra-EU27) and countries with similar trade preferences (those benefiting from zero duties under the EU's Generalised System of Preferences (GSP)) is shown in Table 3. This indicates 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.

Table 3: EU27 Imports from World and GSP Zero Beneficiaries (EUR thousand)					
	Average 2010-2012	2013	Change	Share of Pakistan 2010-12	Share of Pakistan 2013
World					
Total imports	1,530,617,750	1,520,363,786	-0.7%	0.3%	0.3%
Imports all ATP lines	17,431,666	18,238,834	4.6%	6.4%	8.0%
Annex I	11,164,767	11,718,469	5.0%	5.0%	6.2%
Annex II	6,266,899	6,520,365	4.0%	8.7%	11.2%
GSP Zero Beneficiaries					
Imports all ATP lines	994,127	1,652,269	66.2%		
Annex I	188,428	333,394	76.9%		
Annex II	805,699	1,318,875	63.7%		

Source: calculations based on Eurostat Comext data.

Tables 11 to 13 at annex give a more detailed breakdown (section-wise and line-by-line) of imports under the ATP. Examination of these tables, together with those mentioned above indicates that:

- Pakistan's share of total EU imports from the world remained unchanged at 0.3%. Pakistan's share of EU imports of ATP products, when taken together, increased from 6.4% to 8% (see Table 3). Before the introduction of the ATP, Pakistan's import share was already substantial for certain products – six products covered by the ATP had import share of over 50%² (see Table 6). In 2013, ten products covered by the ATP had import shares of over 50%³.
- Undenatured ethyl alcohol (22071000) is the product that by far saw the largest increase in imports (441%) which is mainly explained by the fact that this product is normally not covered by GSP and it has a Most Favoured Nation (MFN) duty of 19 EUR/hectolitre (see Tables 11 and 12 at annex). Imports from Pakistan of undenatured ethyl alcohol under the ATP were limited by a tariff rate quota. The section man-made filaments (Chapter 54) also saw a large increase by 85%, however it only accounted for 1.7% of the value of imports under the ATP preferences (see Table 13 in the Annex).
- Table 13 shows that the biggest section in terms of value of total imports under the ATP, cotton (Chapter 52), recorded an increase in imports of 28.8%. It should be noted that for cotton and cotton products, Pakistan is the EU's second largest supplier after Turkey. The apparel sections – Chapters 61 and 62 – accounting together for around 34% of imports from Pakistan under the ATP, saw increases of 37.4% and 49.8% respectively. EU imports of ATP products under Chapter 63, other textiles articles, increased by 6.8%.
- When examining the individual tariff lines under the ATP (see in particular Table 12 at annex), these generally followed the trend in EU imports from the world and in most cases imports from Pakistan performed better or worse depending on whether imports increased or decreased. Twenty seven tariff lines saw imports increase by more than 40% of which

² 52082219, 52091200, 52091900, 52111200, 54078100 and 55134100.

³ 52081219, 52081300, 52082219, 52082296, 52091200, 52091900, 52111200, 54078100, 55132100 and 55134100.

10 lines by more than 80%, while imports under 18 lines decreased of which 12 lines by more than 20%.

- According to Table 12, it was mainly products in Chapters 52 (cotton)⁴ and 61 (knitted clothing)⁵ that recorded the main import increases. At the same time it was also certain cotton items where imports declined the most⁶. Imports for most products in Chapter 63 (other textiles articles) also decreased⁷.
- The total foregone EU tariff income from the ATP is estimated at EUR84.6 million⁸. The top 10 imports under the ATP in terms of import value accounted for 62% of foregone tariff revenue.

4.2 Effects on EU Production and Jobs

This section examines the possible effect of the ATP on the EU economy, primarily measured in terms of EU production. The analysis is based on Eurostat Prodcom data for EU manufacturing production that is estimated to correspond to the ATP products. However, due to some gaps in Prodcom data (e.g. for some Member States detailed data is confidential) and because Combined Nomenclature codes at 8-digit level do not always correspond to single NACE codes, the figures below can only be seen as indicative and had to be presented in an aggregated manner.

Table 4 shows EU27 production (value of sold production) and employment (total number) in manufacturing in 2013 in total (NACE section C.10 to C.32), in textiles (NACE section C.13 and C.20.60), clothing (NACE section C.14) and leather and related products, including footwear (NACE section C.15). The share of production in the three sub-sectors in relation to total production in manufacturing can be seen as more limited, while the employment shares are more important.

	Production in manufacturing		Employment in manufacturing	
	Value (EUR)	Share of total production	Number	Share of total employment
Total	4,807,491,596		31,537	
Textiles	67,574,110	1.4%	688	2.2%
Clothing	33,111,472	0.7%	1,176	3.7%
Leather	33,338,444	0.7%	451	1.4%

Source: calculations based on Eurostat Prodcom and employment data

Table 5 illustrates the change in EU27 production and employment in manufacturing compared to the previous year for the years 2010 to 2013. While EU27 production in the three subsectors increased in 2013, employment – with the exception of the "Leather sector" - dropped. A more detailed breakdown of EU production that is estimated to correspond to the ATP products is given in Table 14 in the Annex. A similar breakdown for employment cannot be presented since employment data is only available at 2-digit NACE section level.

⁴ For example: 52081219, 52082296, 52092200, 52092900 and 52093200.

⁵ For example: 61012090, 61034200, 61099020 and 61112090.

⁶ For example: 52052300, 52052400, 52081190, 52081216, 52082190, 52085100 and 52093900.

⁷ For example: 63039100, 63039990 and 63049200.

⁸ The foregone tariff revenue needs to be taken with caution since it is based on the imports of ATP products that might not have taken place had the ATP not been granted.

	Production			Employment		
	2011-10	2012-11	2013-12	2011-10	2012-11	2013-12
Total	8.6%	1.2%	1.2%	-0.1%	-1.4%	-1.4%
Textiles	6.8%	-1.3%	1.5%	-0.9%	-2.2%	-2.6%
Clothing	-2.1%	1.2%	6.0%	-4.4%	-2.9%	-4.5%
Leather	17.2%	-3.3%	8.6%	2.2%	1.2%	0.2%

Source: Eurostat Prodcom and employment data.

Table 6 illustrates the EU market (EU27 production plus total Extra-EU27 imports minus total Extra-EU27 exports) that is estimated to correspond to ATP products for the different CN sections covered by the Regulation and the share of ATP imports from Pakistan.

CN Section	EU27 market related to ATP products (EUR billion)				ATP imports from Pakistan as share of EU market			
	2010	2011	2012	2013	2010	2011	2012	2013
07 Edible vegetables	157	148	159	169	2.7%	3.2%	6.9%	3.6%
22 Beverages, spirits and vinegar	2,255	2,639	3,124	3,178	0.1%	0.7%	0.3%	1.7%
41 Raw hides and skins and leather	1,214	1,547	1,186	1,400	1.3%	1.4%	1.7%	1.6%
42 Articles of leather	486	523	466	473	15.4%	16.8%	19.3%	20.2%
52 Cotton	2,796	3,260	2,801	3,142	10.5%	11.5%	9.7%	12.8%
54 Man-made filaments	1,456	1,851	1,906	1,599	1.0%	0.7%	0.6%	1.6%
55 Man-made staple fibres	578	706	613	616	8.1%	7.7%	7.4%	11.2%
61 Apparel and clothing, knitted or crocheted	14,471	14,917	14,407	14,566	1.1%	1.3%	1.3%	1.7%
62 Apparel and clothing, not knitted or crocheted	4,327	4,434	3,790	3,906	3.4%	3.9%	4.6%	6.3%
63 Other made-up textile articles	6,826	7,120	5,108	5,134	3.3%	3.5%	4.6%	4.9%
64 Footwear	9,317	9,871	9,630	9,889	0.3%	0.3%	0.3%	0.3%

Source: Calculations based on Eurostat Comext and Prodcom data.

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. Nonetheless, it could be contemplated that Pakistan imports under the ATP might adversely affect EU production if criteria such as the following are fulfilled:

- There was a high increase in EU imports from Pakistan of ATP products;
- The share of Pakistan ATP imports on the EU market increased sharply, and those imports have a large share of the EU market;
- There was negative growth in EU production; and
- The share of EU production directly related to ATP imports was high.

Table 7 shows these factors together at CN 2-digit section level ("EU ATP Production" refers to EU production associated to ATP products). An examination of the figures in Table 7 does not seem to lead to clear-cut conclusions since none of the sections satisfies all criteria.

Sections such as man-made filaments (Chapter 54), man-made staple fibres (Chapter 55) and woven clothing (Chapter 62) have seen what can be understood as a high increase in imports of ATP products from Pakistan and a decrease in EU production. However, for Chapter 54 the market share of ATP imports is limited. For Chapters 55 and 62, the share of EU production affected is limited, while there was a certain increase in the share of ATP imports on the EU market in 2013 compared to 2012, it could be seen as modest.

Chapter 42, articles of leather, saw a decrease in EU production coupled with a relatively high share of ATP imports on the EU market. However, the increase in imports of ATP products in Chapter 42 could be seen as less significant (imports under the ATP were limited by a tariff rate quota).

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.

Table 7: Change and Shares in Imports, Market and Production related to ATP Products					
CN Section	Change Pakistan ATP imports 2013-12	Share of Pakistan ATP imports on EU market 2012	Share of Pakistan ATP imports on EU market 2013	Change in EU production 2013-12	Share of EU ATP production in NACE section 2013
07 Edible vegetables	-10.0%	6.9%	3.6%	8.3%	
22 Beverages, spirits and vinegar	441.3%	0.3%	1.7%	-2.6%	
41 Raw hides and skins and leather	12.7%	1.7%	1.6%	10.9%	9.2%
42 Articles of leather	13.2%	19.3%	20.2%	-8.3%	0.8%
52 Cotton	28.8%	9.7%	12.8%	2.7%	3.3%
54 Man-made filaments	85.0%	0.6%	1.6%	-20.8%	1.8%
55 Man-made staple fibres	40.9%	7.4%	11.2%	-3.2%	0.7%
61 Apparel and clothing, knitted or crocheted	37.4%	1.3%	1.7%	7.2%	12.5%
62 Apparel and clothing, not knitted or crocheted	49.8%	4.6%	6.3%	-22.9%	3.8%
63 Other made-up textile articles	6.8%	4.6%	4.9%	-0.2%	11.0%
64 Footwear	14.0%	0.3%	0.3%	7.0%	60.7%

Source: Calculations based on Eurostat Comext and Prodcod data

4.3 Effects on Jobs, Poverty and Sustainable Development in Pakistan

The monsoon induced floods that hit Pakistan in July to September 2010 could be considered as the worst natural disaster in the country's history. According to United Nations sources, the flooding affected some 20 million people and 20% of Pakistan's land, equivalent to at least

160.000 square kilometres (the size of Bulgaria and Slovakia together), and leaving up to 12 million people in need of urgent humanitarian aid.

The Preliminary Damage Needs Assessment (DNA) prepared by the World Bank, the Asian Development Bank and the Government of Pakistan estimated that the floods caused direct and indirect damages worth USD 10 billion and would require overall relief and reconstruction costs of USD 8.7 to 10.8 billion (representing 5.8% of GDP and 4.5-5.3% of GDP respectively)⁹. The reconstruction costs, if dispersed over three years and covered solely by the Government of Pakistan, would have in relation to the federal budget 2010-11 represented around 8-11% of total expenditures.

Agriculture was the most severely affected sector, accounting for a full 50% of the estimated damage costs. In particular rice and cotton production were damaged (the worst hit provinces Sindh and Punjab account for almost 100% of Pakistan's cotton production). The DNA assessed that the industrial sector was not much directly affected. Nonetheless, the industrial sector was expected to be quite significantly affected by the losses in cotton, sugarcane and other agriculture crops. The textile sector, which provided about a third of manufacturing value added, was likely to face acute input shortages due to the loss of 2 million bales of cotton.

In terms of Pakistan's overall economy, the DNA assessed that the 2010 floods were expected to have a substantial adverse impact on the pace of real GDP growth, inflation, the size of the fiscal deficit and the balance of payments¹⁰. Even prior to the floods there were increasing concerns about the health of the Pakistan economy which was struggling to regain stability since enduring the external and internal shocks in 2007/2008 (see Table 8).

	Share GDP	2009-10	2010-11	2011-12	2012-13	2013-14
GDP		2.6	3.6	3.8	3.7	4.0
Agriculture	21.2	0.2	2.0	3.6	2.7	2.7
Cotton Ginning	0.6	7.3	-8.5	13.8	-2.9	-1.3
Industry	20.4	3.4	4.5	2.6	4.5	3.6
Manufacturing	13.4	1.4	2.5	2.1	4.6	4.5
Service	58.4	3.2	3.9	4.4	5.1	4.4

Source: Pakistan Bureau of Statistics, Pakistan Economic Survey 2014-15

The EU's primary instrument of response to the floods was humanitarian aid. In this respect, the EU was the largest humanitarian donor in the crisis with commitments of more than EUR423 million (EUR150 million from the EU budget and EUR273 million from EU Member States). The EU also proposed an early recovery package in line with the European Council Conclusions of 16 September 2010, to follow-up the very substantial humanitarian assistance provided. The Government of Pakistan however informed the international community, including the EU, that it had decided to take full responsibility itself for post-flood rehabilitation and reconstruction. In addition to EU humanitarian assistance, the European Commission allocated an amount of EUR225 million for development cooperation as part of the Multi-annual Indicative Programme for Pakistan over the 2011-13 period. The focus was on rural development and education. Within these programmes, the consequences of the floods were taken into account wherever possible and justified, in agreement with the

⁹ <http://www.adb.org/sites/default/files/linked-documents/44372-01-pak-oth-02.pdf>

¹⁰ In September 2013 Pakistan entered a USD 6.64 billion Extended Arrangement with the IMF to help the economy rebound, forestall a balance of payments crisis and rebuild reserves, reduce the fiscal deficit, and undertake comprehensive structural reforms to boost investment and growth.

Government of Pakistan. In this context, 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 EUR84.6 million.

Table 9 shows certain economic and human development indicators for Pakistan compared to South Asia and Lower Middle Income Countries (LMIC). It can be seen that, while most indicators for Pakistan are pointing in the right direction, the country lags behind its South Asian neighbours and other LMIC. This is also the case for Pakistan's Human Development Index (HDI) which in 2013 scored a value of 0.537, placing the country in the low human development group and below the average of 0.588 for countries in South Asia. Overall, Pakistan ranked 146th out of 183 countries on HDI.

	Pakistan		South Asia		LMIC	
	2010	2013	2010	2013	2010	2013
GDP growth (annual %)	1.6	4.4	9.1	6.6	7.6	5.8
GDP per capita (constant 2005 US\$)	748	790	940	1.077	1.139	1.273
GDP per capita growth (annual %)	-0,2	2,7	7,7	5,2	6,0	4,3
GNI per capita, PPP (constant 2011 international US\$)	4,380.2	4,679.9	4,259.1	4,866.0	5,239.6	5,859.0
Trade (% of GDP)	32,9	33,1	46,3	50,7	56,9	58,4
Foreign direct investment, net inflows (% of GDP)	1,1	0,6	1,5	1,4	2,2	2,1
Population growth (annual %)	1,8	1,7	1,3	1,3	1,5	1,5
Life expectancy at birth, total (years)	66.1	66.6	66.1	66.9	65.7	66.4
Literacy rate, adult total (% of people ages 15 and above)	55.4		61.4		70.6	
Poverty headcount ratio at \$1.25 a day (PPP) (% of population)	12.7		29.0		25.2	
Poverty headcount ratio at \$2 a day (PPP) (% of population)	50.7		64.7		54.5	
Primary completion rate, total (% of relevant age group)	66.9	73.1	90.5		91.2	
School enrolment, primary (% gross)	94.8	92.1	110.4		105.7	

Source World Bank, World Development Indicators

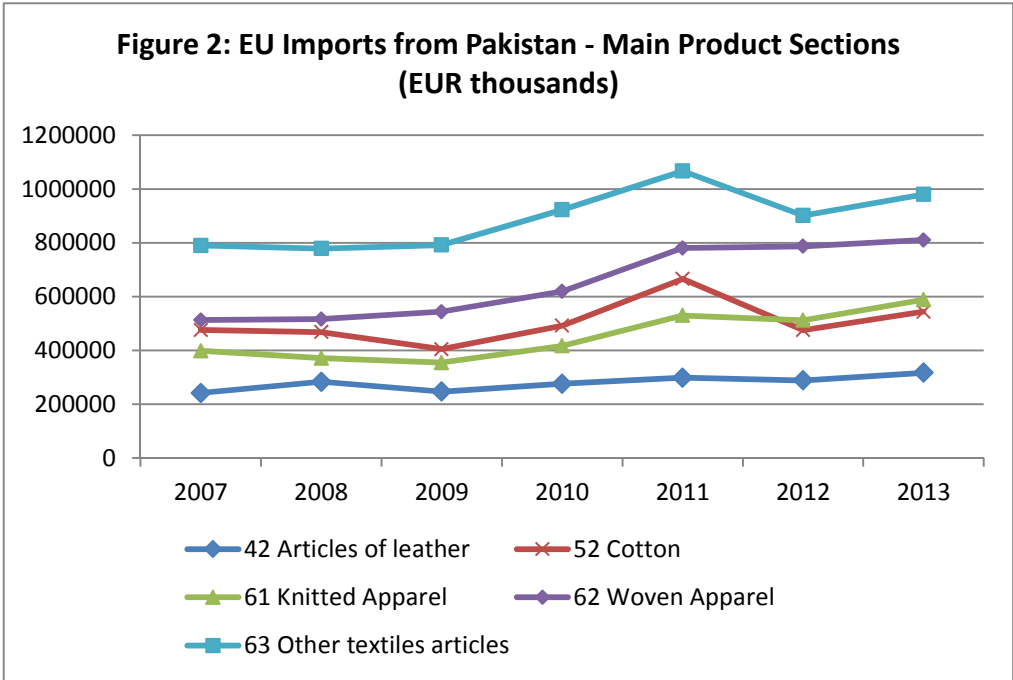
With regard to employment more specifically, the recent Decent Work country profile for Pakistan prepared by the International Labour Organisation, gives a comprehensive overview (to the extent data was available) of the situation and developments in Pakistan on the 10 examined Decent Work indicators¹¹. For most indicators where an assessment could be made, Pakistan made some progress during the period 2001-2013, both regarding the situation of men and women. However, gender disparities, sometimes substantial, disadvantaging women remained. Table 15 in the Annex illustrates the evolution of the number of employed and the employment-to-population ratio (the share of working-age population that is employed) in Pakistan and its provinces, pointing to a certain decline in employment ratios. Table 16 in the Annex shows average monthly real earnings in Pakistan and its provinces.

While this information provides some illustration of developments related to jobs and social conditions in Pakistan, more specific data, e.g. related to employment and wages in, for

¹¹ http://www.ilo.org/islamabad/whatwedo/publications/WCMS_316668/lang--en/index.htm

example, the textiles industry either at national or provincial level, was not available. However, the textiles industry plays an important role in Pakistan's economy. According to Pakistan's Ministry of Finance, the textiles industry accounts for around 8% of GDP, contributes 50-60% to total export earnings of the country, accounts for 46% of total manufacturing and provides employment to 38% of the manufacturing labour force.

Pakistan's economy has shown resilience and recent signs of recovery (see Table 8 above), even as it continues to face considerable challenges due to, *inter alia*, continued extensive power shortages and a volatile security situation¹². However, 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 (see Figure 4).



5. Conclusions

The ATP granted to Pakistan were part of a package of EU measures to assist Pakistan in its short, medium and long term recovery from the devastating effect of what could be considered the worst floods in the country's history. In this unprecedented context, the objective of the ATP was to boost Pakistan's exports in order to contribute to its future

¹² Based on figures in Pakistan's Economic Survey 2014-15, terrorist attacks have been estimated to have resulted in losses to the economy of an annual average of USD 13 billion between fiscal years 2010-11 to 2013-14.

economic development, by offering time limited reductions of duties on key imports from Pakistan and which should cause only limited adverse effects on the domestic market of the EU.

There are some indications that the ATP fulfilled their objective of supporting economic recovery in Pakistan. The available data also indicate that the impact on EU production seems to have been limited. Still, imports of ATP products from Pakistan may have contributed to a more competitive situation on the EU market, in particular within certain sectors where Pakistan was already among the major suppliers to the EU market. However, the more substantial increase in imports of ATP products from GSP zero beneficiaries has probably contributed more to this greater import competition. Nevertheless, 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.

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