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## REPORT

drawn up on behalf of the Committee on External Economic Relations

on the proposal from the Commission of the European Communities to the Council (5434/1/85 - Doc. C 2-68/85) for a regulation on the conclusion of the Agreement for commercial, economic and development cooperation between the European Economic Community and the Islamic Republic of Pakistan

Rapporteur : Mr Ernest MÜHLEN

PE 100.252/fin.  
Or.En.



By letter of 2 August 1985 the President of the Council of the European Communities requested the European Parliament to deliver an opinion, pursuant to Article 235 of the EEC Treaty, on the proposal from the Commission of the European Communities to the Council for a regulation on the conclusion of the Agreement for commercial, economic and development cooperation between the European Economic Community and the Islamic Republic of Pakistan (C2-68/85).

On 9 September 1985 the President of the European Parliament referred this proposal to the Committee on External Economic Relations as the committee responsible and to the Committee on Development and Cooperation for an opinion.

At its meeting on 29 October 1985 the Committee on External Economic Relations appointed Mr MÜHLEN rapporteur.

The committee considered the Commission's proposal and the draft report at its meetings of 18 December 1985 and 22 January 1986.

Paragraph 1 of the motion for a resolution, prepared by the rapporteur, Mr MUHLEN, read as follows:- "Approves the Commission's proposal".

The committee considered, and rejected, by 12 votes to 12, the following amendment to paragraph 1:- "Reserves its Opinion on the Commission's proposal pending a full assessment of the lifting of martial law as regards the freedom of political parties and the respect for human rights in Pakistan;"

The committee then rejected the original text of paragraph 1 by 12 votes to 12.

The committee then adopted the motion for a resolution as a whole by 11 votes to 10 with no abstentions.

The committee does not therefore submit in the present report any recommendation concerning the Commission's proposal; Parliament will be asked to vote on the proposal in accordance with the provisions of Rule 32(4) of the Rules of Procedure.

The following were present at the time of the vote: Dame Shelagh Roberts, chairman; Mrs Thome-Patenôtre, vice-chairman; Mr Mühlen, rapporteur; Mrs Braun-Moser (deputizing for Mr Tzounis), Mr Cano Pinto, Mrs Castellina, Mr Cohen (deputizing for Mr Ford), Mr Costanzo, Mr Galluzzi, Mr Grimaldos Grimaldos, Mr Marleix, Mr Martin (deputizing for Mr Motchane), Mr Megahy (deputizing for Mr Hitzigrath), Mr Moorhouse, Mr Poetschki (deputizing for Mr Van Aerssen), Mr Pons Grau, Mr Seeler, Mr Silva Domingos, Mr Topmann (deputizing for Mr Massari), Mrs Van Rooy, Mrs Wiczorek-Zeul, Mr Zahorka, Mr Zarges.

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The Committee on Development and Cooperation decided not to give an opinion.

The report was tabled on 29 January 1986.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

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The Committee on External Economic Relations hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

closing the procedure for consultation of the European Parliament on the proposal from the Commission of the European Communities to the Council for a regulation on the conclusion of the Agreement for commercial, economic and development cooperation between the European Economic Community and the Islamic Republic of Pakistan.

The European Parliament,

- having regard to the proposal from the Commission to the Council (5434/1/85),
  - having been consulted by the Council pursuant to Article 235 of the EEC Treaty (Doc. C2-68/85),
  - having regard to the report of the Committee on External Economic Relations (Doc. A 2-213/85),
- A. Having regard to the EEC-Pakistan Commercial Cooperation Agreement which was one of a series of similar Agreements concluded also with India (1974), Sri Lanka (1975) and Bangla Desh (1976);
- B. Noting that the 1974 Agreement with India was superseded by the EEC-India Commercial and Economic Cooperation Agreement in 1981;
- C. Aware that the proposed new Agreement with Pakistan was negotiated following a request from the Government of Pakistan for a new Agreement modelled on the 1981 EEC-India Agreement;
- D. Considering that Pakistan has been under a State of Martial Law following the seizure of power by General Zia UL-HAQ in July 1977;

- E. Noting that, in entering into negotiations with the Government of Pakistan for the new Agreement, the Community impressed on the Government of Pakistan the need for a return to a democratic parliamentary system;
1. Considers that the Community should further develop its relations with the non-associated developing countries of South Asia, aimed both at increasing trade and at contributing to the economic, social and political development of this region;
  2. Welcomes the lifting of martial law in Pakistan but condemns the many instances of human rights' violations which were committed under martial law and expects the implementation of further measures towards democratization;
  3. Notes that the Government of Pakistan submitted a Memorandum to the Council of Ministers on the human rights situation and that the President-in-Office undertook, on 11 July 1985, to inform Parliament of the results of the Council's deliberations on this Memorandum: awaits a statement from the Council in this regard;
  4. Considers that, for the time being, the Government of Pakistan has failed to take adequate measures towards the restoration of democratic government, in that the General Election of February 1985 was held without the legal participation of political parties, with press censorship and with a ban on political meetings;
  5. Is aware of the serious problems faced by Pakistan by the presence of several million Afghan refugees;
  6. Notes, however, the statement of Commissioner DAVIGNON to Parliament on 23 May 1984 that a general cooperation agreement was not "the proper context for dealing with these specific questions, but rather that they should be settled under Community action in the context of aid by international organizations to refugees," and supports this Community action;

7. Welcomes the recent decision of the leaders of Bangla Desh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka meeting in Dakka, to establish the South Asian Association for Regional Cooperation (S.A.A.R.C.);
8. Asks the Commission to consider appropriate ways to assist in S.A.A.R.C. regional cooperation measures;
9. Instructs its President to forward to the Council and the Commission, as Parliament's opinion, the Commission's proposal as voted by Parliament and the corresponding resolution.



EXPLANATORY STATEMENT

I. Conduct of the negotiations

At its session of 22 - 23 October 1984, the Council authorized the Commission to open negotiations with Pakistan with a view to the conclusion of an agreement for commercial and economic cooperation to replace the 1976 Commercial Cooperation Agreement between the European Economic Community and Pakistan.

In accordance with that Council decision, and with the concurrence of the Article 113 Committee, the Commission conducted negotiations with Pakistan from 15 to 17 January 1985.

The English text of the negotiated agreement was initialled on 17 January 1985 by the heads of the delegations.

This text was placed at the disposal of the Member States' representatives in the Article 113 Committee.

The Agreement was signed on the occasion of the Council meeting of 22 - 23 July 1985 by Mr Salim Seifulleh KHAN, for Pakistan, and by Mr J. POOS, President of the Council, and Mr C. CHEYSSON, Member of the Commission.

The European Parliament has been consulted on the regulation concluding this Agreement.

In the framework of the Luns Westerterp procedure, a note drawn up by the Council was forwarded to Members on 21 November 1984 (see PE 94.057).

Members were also sent a note on the substance of the Agreement, drawn up by Parliament's Secretariat, on 17 March 1985 (see PE 96.727).

## II. Economic and trade relations between the EEC and Pakistan

### 1. Operation of the programme of commercial promotion of Pakistani products.

The EEC provides finance for participation by Pakistani exporters in trade fairs and trade missions in Europe and makes available consultants specializing in the sectors which are important for Pakistan's exports: leather goods, sports goods, clothing and tobacco.

2. Operation of the system of 'generalized preferences'. Pakistan is among the principal beneficiaries of the Community system; 60% of Pakistan's exports enter the Community free of duty.

3. Community food aid and financial assistance. Pakistan is a major beneficiary of the EEC food aid programme, as well as the programme of aid to non-associated developing countries.

As far as trade is concerned, the EEC is Pakistan's major partner.

The balance of trade is in the Community's favour, as is shown in the table below (in million ECU).

	<u>1973</u>	<u>1976</u>	<u>1979</u>	<u>1980</u>	<u>1982</u>	<u>1983</u>	<u>1984</u> (9 months)
EC-Imports	189	269	377	446	541	585	513
EC-Exports	234	503	806	893	1,077	1,307	1,057
Balance	45	234	429	447	536	722	544

## III. Substance of the Agreement

The Agreement is of an evolutionary nature, extending beyond the purely commercial sphere to encompass the fields of economic cooperation and development.

The main provisions are as follows:

- (a) In the commercial sphere, the agreement takes up and extends the provisions of the 1976 Agreement and also provides for a commitment by both parties to consultations on bilateral and international economic and commercial problems which either party may consider of interest.
- (b) As regards economic cooperation:
1. The agreement provides for the development of economic cooperation in all fields of mutual interest and for the fostering of closer links between the parties' respective industries and economic operators, in particular through the exchange of information and the development of contacts.
  2. The main objectives of this cooperation are:
    - the promotion of industrial cooperation and technology transfer,
    - the opening up of new sources of supply and new markets,
    - scientific and technical cooperation,
    - cooperation in the field of energy,
    - cooperation in other fields such as agriculture, fisheries, forestry, transport and communications and environmental protection.
- (c) As regards development, the Agreement is aimed at increasing the effectiveness of Community aid to Pakistan and ensuring coordination of the Community's development activities and those of its Member States.
- (d) The agreement is concluded initially for a period of five years

In his speech after the signing of the Agreement, Mr KHAN stated: 'We hope this Agreement will lead to a programme of reinforced aid to Pakistan, also taking into account the shortcomings in certain key areas of food requirements ..... Pakistan hopes that the Community will help it redress its "serious trade imbalance", and will continue its cooperation in the textiles sector, so important for Pakistan's foreign trade..... Islamabad can now finalize its former request for the supply of fertilizers, oleaginous and other products'.

#### IV. Conclusion

The recently signed Cooperation Agreement should help to provide effective aid to a country which is characterized by a balance of payments deficit, limited public and private resources, rapid population growth and serious infrastructure shortcomings.

This aid is particularly necessary since Pakistan has had to harbour more than three million Afghan refugees, whose presence will exacerbate its already precarious economic situation.