EU-Pakistan Relationship in Areas of Trade, Terrorism and Democracy: An Analysis

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ABSTRACT

EU has evolved as a most successful regional integration organization. Since its inception it is pursuing the policy of establishing cooperation network and agreements with nearly all the states in the world. It is particularly interested in working out partnership arrangements with the developing countries in shared areas of mutual interest and development. Through these partnership agreements EU wants to achieve a common commercial policy, external relation policy and social policy. Pakistan and EU over a past few decades has established bilateral relationship with each other in economic, political and social spheres which are of mutual interest to both of them. EU has been giving assistance and support to Pakistan to see stability in its democratic set up, to deal with its terrorism and sectarian issue and by awarding GSP+ status EU aimed for boosting its trade relation with Pakistan. This article aims to do an in depth analysis of EU-Pakistan engagement and cooperation in specific areas of trade, terrorism and democracy.

KEY WORDS: Trade, Terrorism, Democracy, Cooperation, Stability, Economic.

1. INTRODUCTION

During the last few decades EU has successfully established a substantial range of agreements and cooperation networks with the developed and developing countries in areas of trade cooperation, security issues, agriculture, human rights and combating terrorism. However during the last few decades its focus was largely the developing countries. Various bilateral and regional agreements resulting from the cooperation network serve not only the specific interest of the EU but help in overall economic, social and political development which are of specific interest to developing countries. Through these cooperation agreements the EU want to achieve its main objective of common commercial policy, external relation policy and development policy [1]. Through realization of these policies EU is keen to play its role in world politics, contribute to world economy through its trade thereby ultimately improving the socio-economic conditions and alleviation of poverty in the developing countries. This article will discuss and analyze the network of agreement between Pakistan- EU in identifiable area like trade, democracy and terrorism.

The article is divided into two parts. In first part I would discuss the reasons behind EU policy of economic integration and bilateralism towards developing countries. In second part I would discuss EU- Pakistan relations in the backdrop of cooperation network and agreements in specific areas.

2. REASONS BEHIND REGIONAL ECONOMIC INTEGRATION BETWEEN EU AND DEVELOPING COUNTRIES: There are few Good reasons for pursuing regional integration between developed and developing countries. The production and supply pattern between developed and developing countries works much better as compared to between developing countries [2]RTAs help in creating development opportunities in developing country e.g. jobs and trade thus reducing the migration flow[2], RTAs create synergy and beneficial effects as it covers various areas apart from trade[2].

EU embarks upon this trend of regional integration with both south and North trading partners. Dating back to 1960 when EU embark upon regional integration with its former colonies currently known as ACP (African Caribbean Specific) group of countries through Yaounde and Arusha agreements [1]. This trend towards trade regionalism by EU was the result of certain changes at the regional and international level most notably EU enlargement, demise of socialism, liberalization of international trade and multilateralism [1]. And other historical factor which contributed towards EU regionalism towards the developing countries was the relationship of the colonial Master towards its colonies in Africa and Asia in the year 50’s and 60’s of the 20 century. These colonies

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enjoyed the benefits of non-reciprocal access of their products to EEC (European Economic Community) markets and have received huge investment and aids from their governing countries [1]. Initially European integration was based on the rules of liberalism (within regional integration) and protectionism towards non-members (protecting the agriculture market)[1]. Though in the recent past it has tried to open its market by outward oriented cooperation through RTAs[1]. At present the EU trade regime towards the developing countries operate at several levels. At multilateral level EU pursue trade liberalization with WTO rules with the member countries, at the bilateral level EU pursues trade cooperation at different regions and countries through bilateral agreements, and through its unilateral measures its offers tariff preferences through GSP regime to developing countries[1].

2.1 EU POLICY OF BILATERALISM TOWARDS DEVELOPING COUNTRIES: Through RTAs EU influences the trade policy of its trade partners [3]. The EU trade policy is not solely confined to trade with its partners; it covers many other areas of development resulting in interconnected policies thereby achieving common standards in various areas and not specifically trade [1]. For instance the EU regional agreements results in ‘new generation of agreements’ covering not only trade but also includes trade in services, social and political development issues, humanitarian and human rights and other important issues specific to the trade partner involved[1], for instance security issue in case of Pakistan. On part of developing countries its interest is for deep integration to maximize potential gains. Through RTAs developing countries has increased inflows of foreign direct investments and technology transfer [4]. EU now slowly moved to bilateral FTAs the other form of regional integration with its trading partners to gain easy access to developing countries who are more interested to grant access as to them the trade preferences granted in the form of preferential trade arrangements offered previously are no longer viable[5]. For establishing RTAs no common EU strategy exist rather EU for establishing RTAS with developing countries follow the rules laid down in common commercial policy [5]. With the adoption of bilateral FTAs the EU successfully established FTAs Mediterranean Countries, Balkan, African Caribbean Pacific (ACP), South Africa, Chile, and negotiation for establishing future FTAs with MERCOSUR and Gulf Cooperation council (GCC) countries are under negotiations. In all these FTAs the developing countries benefited from easy access to EU market with terms agreed upon between them[5] Though RTAs make use of tariffs, rules and customs and give preferential access to members thus making access for non-members difficult. This brings RTAs in conflict with the multilateral trading system, which is the basic objective of the global trade under the umbrella of WTO[6]. Pakistan is not a member of any regional bloc at the moment thus it fully relies on the bilateral and multilateral agreements and cooperation with EU for its trade and development [6].

3. EU AND PAKISTAN

Pakistan remained quite far behind in building up its relationship with EU as compared to other developing countries. It remained focused in entering into partnership agreements mainly with its traditional partners in various areas cooperation and development [7]. Similarly EU was more interested in developing its cooperation ties in South Asia with China and India as compared to Pakistan who was overshadowed by these countries size and power [7]. Pakistan established its first formal contact with EU in year 1960, since then the partnership flourished. EU is now considered Pakistan not only largest trading partner but also a development and political partner [8]. European commission set up its office in Pakistan in year 1985 which was upgraded to delegation in year 1988. It was then upgraded as full-fledged EU delegation commission to Pakistan in year 2009 after the adoption of the Lisbon treaty by the EU Parliament. The delegation represent EU in Pakistan on various areas of mutual interest and cooperation for instance trade, development cooperation, EU-Pakistan political relations, humanitarian issues, human rights, energy, education, climate change[8].

In the following paragraphs I would discuss the development ties of Pakistan - EU in specific areas of trade, terrorism and democracy.

4. TRADE AND INVESTMENT TIES:

Pakistan while realizing the importance of establishing economic ties with Europe embark upon its economic relation with Brussels in the year 1962[9]. The first trade and economic cooperation agreement between EU and Pakistan was signed in year 1976, the second generation five year agreement was signed after ten years in year 1986 which includes development, economic and commercial cooperation [10]. The function of Delegation Commission that was set up in Islamabad in year 1988 was monitoring of mainly EC-Pakistan development and trade cooperation issues as well as few other aspects of EC-Pakistan relations[10] However the third generation of agreement which was supposed to be signed in year 1999 was suspended due to a military take over as a reaction to the derailment of the democracy. The report of the EU election observer on the general election of the year 2002 as non-transparent caused a further delay of the ratification of the third generation agreement till May 2004 by the EU Parliament[7].
Trade contributed much in developing the ties between Pakistan and EU, which remained largely a destination for Pakistani traditional exports of carpets, textiles, leather products, surgical and sports goods, it now also include farm products and sea food. Similarly Pakistan benefit from European Pharmaceuticals, aviation, chemical, plant and machinery industries [7]. Pakistan was also a beneficiary of the EU Generalized system of preferences, known as GSP [7]. Pakistan enjoyed zero tariff under the GSP + regime for a limited period of time a concession granted to the countries engaged in controlling the cultivation of narcotics resultantly its export rose to 4,247 million dollar in year 2005-2006 in comparison to 3,726 million dollar in year 2003-2004 [7]. Pakistan lost its GSP+ status in year 2006 however the reduction in anti-dumping duty on bed linen helped in compensating the losses incurred due to withdrawal of GSP + Status [7]. It also resulted in increased level of export amounting to 4,627 million dollar in year 2006-07, which eventually reached to 5,185 million dollar in year 2007-8.[7] Due to power crisis in Pakistan and its impact on industrial production and economic recession in Europe in year 2009 the export graph fell to 4,412 billion dollar. During 2003-09 EU exports to Pakistan Markets have grown steadily culminating to 5,644 million in 2008-09[7].

The previous knockout of Pakistan from list of the GSP + countries was due to non-fulfillment of the criterion required for enjoying the status that was the ratification of the international labor conventions and maintaining 1 percent of EU GSP covered imports[7]. Beside these technical falloutsthe main opposition comes from India in keeping Pakistan in GSP + list. The reason was the ongoing negotiation between India and EU for creating FTAs. India was on its safeguard and weighing the Pakistani exports to EU lobbied to deny Pakistan a duty free access to EU market. Pakistan textile industry as well as its export was posed a threat to the proposed EU-India FTA [7]. Against removal from the GSP + list Pakistan launched a serious protest at the diplomatic level. Loss of GSP+ status made Pakistan only south Asian country without a preferential access to largest trading bloc resulting in a severe decline in its exports [7]. This exclusion was done during the time when Pakistan already met heavy losses during its fight against terrorism. However Brussels could not offer any respite despite strong lobbying efforts by the then president and Prime minister any worth solution to Pakistan Plight could not be offered [7]. Loss of GSP + status and opposition from the EU countries like Poland, France, Spain and Italy against the reduction on the anti-dumping duty on Pakistan bed linen caused a ‘double whammy’ for Pakistan which had already incurred heavy losses due to the ongoing fight against terrorism [7].

4.1. AWARD OF GSP+ STATUS:

Pakistan was awarded the GSP + status by the EU on 11 Dec 2014[11]. The achievement of GSP + status was a big success for Pakistan in its trade relation with EU. Nawaz Sharif PM of Pakistan made the following remark on the award of the status ‘Award of GSP status shows the confidence of international market in the excellent quality of Pakistani products’ [11].

This status will help in increasing Pakistani export to EU market as 20 percent of export products will have access to EU market at zero percent tariff and 70 percent products will enter at preferential rates [11]. This status would earn great benefits for Pakistan in terms of economic development and growth, generation of jobs and set up of local industries. Thus will enable Pakistan to export products worth 1 billion dollar to international market [11]. This status would have a profound effect on the textile industry of Pakistan as it will able to earn profit of Rs 1 trillion per year and will be capable to compete in quality of products with regional rivals like Sri Lanka and Bangladesh who already have a duty free access to the EU market [11].

5. TERRORISM:

In recent years Terrorism has deteriorated the security situation in Pakistan. Increased militancy in the regions bordering Afghanistan and prolific terrorist attacks have taken place in various parts of Pakistan such as attacks on military offices, air ports, public places. Federally administered tribal areas FATA, Khyber Pakhtunkhwa, and Baluchistan province are the regions in which the security situation remain unstable and volatile [12]. The failure of the central government and law enforcement agencies to have a control on law and security in a country has exposed Pakistan to the biggest threat of terrorism. Pakistan has incurred huge economic, social and human loses in its fight against terrorism. Annually Pakistan suffers 6 billion dollar loses in its economy due to terrorism [12]. Budgetary allocation for security measures and anti-terrorist activities impacted development initiatives as well as anti-terrorist campaigns by army in affected areas notably in northern regions, FATA, has resulted in mass displacement, house demolitions, arbitrary detentions, extra judicial executions, unemployment and precious loses of thousands of lives [12]. Despite the military operations against the terrorist group in these regions the government was unable to have its writ and control in these regions which has witnessed sever human rights abuses by both the Taliban and military group[13]. Pakistani schools and Madrassahs were reported in 9/11 commission report as “Incubators of violent extremism”[14].
5.1. EU-PAKISTAN COUNTER TERRORISM ALLIANCE:

EU is playing a major role in eliminating terrorism and considered itself a key player in a global fight against terrorism. It has extended its cooperation in its external relation to all those states hit by the menace of terrorism [13]. EU has realized in its external policy that terrorism is real and is not only a challenge in the countries devastated by its incidents but to the whole world. Therefore has adopted the policy of counter terrorism which is multidimensional and value conscious approach [13]. It has adopted various counter terrorism external assistance instruments which revealed its action plan, engagement and counter terrorism strategy with various countries like Indonesia, Morocco, Yemen and notably Pakistan as well [13]. While realizing the grave issue of terrorism in Pakistan EU has extended its full support and commitment to counter terrorism which is posing a grave threat to international world as well.

The Commission adopted a new three-year €225 million program under the instrument for stability (IFS) for funding technical assistance and capacity building to fight terrorism in Pakistan on 19 April 2009 [15]. Under the (IFS) several concrete projects to counter terrorism were developed as part of EU Action Plan on Combating Terrorism [16].

During the first-ever EU-Pakistan Summit, held in Brussels on 17 June 2009, the EU re-assured its commitment to cooperate bilaterally with Pakistan as well as under the UN frame work [13]. It was affirmed that this cooperation would result in a long term strategy focusing on the improvement of civilian law enforcement structures as well as offering technical support to Police forces in Pakistan [13]. However a review of commission-funded activities for Pakistan under the EIDHR (European instrument for democracy and Human Rights) 2000-06 revealed that out of 30 projects in Pakistan, only three projects have a counter-terrorism relevance [17]. That figure was somewhat surprising in the backdrop of EU-Pakistan counter-terrorism commitment. During this period the EU Commission in Islamabad had also showed reluctance to take more project of counter-terrorism as to their stance it was not clearly outlined by instrument of stability [13].

The Philippine case decision annulling the delegation power for funding a border management project by European court of justice, [18] was considered the main reason of EU commission delegation in Pakistan reluctance to show its involvement in counter terrorism issues [13]. Thus the decision in Philippines case was one of the reason that country strategy paper did not give detailed information about terrorism as well as all the references in it to fight against terrorism and implementation of the UN security council resolution 1373 was also deleted [13]. Besides that, in the list of projects for 2007 and 2008, the anti-money-laundering project was labeled as part of the “fight against terrorism”, while the referent to the “fight against terrorism” in 2009 list has been left out [13].

Few EU members were also reluctant in promoting EU security cooperation with Pakistan, this was one of the reasons for giving limited technical assistance to counter terrorism[13]. Though some of the EU members have strong bilateral ties with Pakistan like UK, which is offering its full assistance to Pakistan to curb terrorism for instance it has given its full support to train Pakistani and intelligence forces on encountering terrorism as well as trained country security forces with counter insurgency training for curbing terrorism[13].

5.2. EU CT / SECURITY STRATEGY ON PAKISTAN: under the EU –Pakistan political framework the five year engagement plan the EU –Pakistan counter terrorism/security strategy was lay out to address internal and external aspects counter terrorism and security cooperation between the two partners [19]. The strategy while recognizing the security challenges Pakistan face due to terrorism it emphasized on developing cooperation in main important areas which in turn can help in improving the security situation in Pakistan for instance education, rule of law, human rights, civil society and vocational training [19]. The EU counter terrorism/security strategy stands for support of rule of law and improvement of criminal justice system, strengthening judicial institutions and enhancing the effectiveness of civilian law enforcement system as counter terrorism strategy in a society [19].

Pakistan Security situation is of much concern to EU mainly because of the negative impacts of attempted and successful terrorist attacks on the EU states which had clear links with Pakistan [19]. These terrorist threats which generates from Pakistan has wider regional security impacts on South Asia and central Asia particularly Afghanistan bordering northern region of Pakistan. For its own security and for Pakistan benefit EU wants to work on long term strategy for eliminating terrorism at its source [19]. This strategy though primarily focused on Pakistan also takes into account the security situation in Central and South Asia as well the future impact on this region which may results from the withdrawal of NATO/ISAF forces from Afghanistan in year 2014 [19]. EU through its counter terrorism strategy for Pakistan also works on developing counter terrorism capacity in Pakistan through rule of law, civilian government, institutions in a country, while recognizing to work in close association with key Pakistani institutions for effective results [19]. The content of the strategy is outline as follow;

Khattak and Zubair, 2014
5.3. CONTENT OF THE STRATEGY: The content of the strategy given in EU Pakistan CT/security action plan lay out that EU action should be based on the following principles:[19]

1. Giving full support to Pakistan CT strategy through implementing 3D’s approach involving dialogue, deterrence and development through and promoting cooperation between federal and provincial governments and authorities [19].

2. Enhancing the potential of civil society through education, rule of law, role of media and journalist human rights, criminal justice for addressing the issue of preventing terrorism and radicalization in the society [19].

3. Linking external and internal aspects of EU security through civil society and diaspora as involvement and thereby raising EU citizens and residents’ security [19].

EU –Pakistan hope to achieve the desired result of eliminating the terrorism and its threat through this long term strategy.

6. DEMOCRACY: The essential part of EU’s institutional ethos is the defense of the fundamental rights and democracy. Democracy is set the basic requirement for the countries interested to be the member of union for instance Portugal, Spain and Greece were not admitted as members of the union till dictatorial rules in these countries came to an end [7]. Pursuing a policy of promoting democracy and human rights are the main concern of the European parliament for the states inside the union and for the rest of the states in the world [7]. EU obstruct its aid and cooperation towards the countries where the democracy is toppled as in Pakistan case the military coup in 1999 and derailment of democracy suspended the ratification of the third generation agreement till may 2004, after the general election in took place in 2002 [7]. This effected the EU-Pakistan relation for five years which remained strained as EU stance was to deal with only a democratic set up. EU clearly raised its concern regarding the proper conduct of 2008 election in Pakistan as establishment of full fledge democracy in Pakistan was the main concern of the EU. After eight years of dictatorial rule under General Musharraf Pakistan embarked once again on the democratization process acclaimed highly by the EU as has shown its concerned variously towards democratic transition of the government in Pakistan [12].

The council of Europe welcome message to the new governmental set up added confidence to the democratic transition in a country position of army chief brought the cooperation back on the rail between Pakistan and EU. The EU played its role in monitoring of general election in 2008 through EU election observation mission and declared it fair which imparted the credibility return of democracy in Pakistan[12] Union also declared its commitment to strengthen its partnership with democratic Pakistan. It has always played a positive role in strengthening the democratic, social and economic institutions in a country through its policies and assistance [12]. Not only on the issue of democracy has the Brussels extended its linkages with Pakistan but on the issue of illegal immigrants and human rights as well. For instance the admission agreement ‘covered in third generation of agreements required formulating a procedure that would help in returning of illegal immigrants from EU states [7]. Though Pakistan feel pressure of the mass deportation through this agreement but to avoid the deadlock on the trade issues it has concluded the readmission agreement as a requirement for drawing much concession on trade. The readmission agreement was signed in year 2009 [7]. Inaugural meeting of the joint summit in May 2007 consequently led to the setup of sub groups on science and technology, trade and development assistance, human rights and governance. However much development could not take place in these areas the due to the proclamation of emergency in year 2007 [7].

EU agreed to hold the first ever summit meeting with Pakistan in the wake of development of democracy in Pakistan. It is important to add that EU hold summit meeting with the countries which hold a good share in EU foreign investment and trade. For instance china, japan, united states, china, Brazil and India,[7]Though Pakistan is not a significant partner in trade with EU like these countries EU agreed to hold summit meeting in recognition of Pakistan effort in its war against terrorism. The first summit meeting was held on June 17 2009 [7]. The commitment was expressed in extending cooperation in areas of trade, science, technology, terrorism, and strengthening of democracy and eradication of militancy [7]. The EU also confirmed in extending its cooperation to overhaul the criminal justice system and law enforcement forces to for curbing terrorism .it also provided funds to areas hit by menace of terrorism [7].

The second summit was held in Brussels on June 4 2010 [20]. It ended successfully by giving an ambitious and broad framework of Pakistan –EU cooperation. The joint statement given at the end of the statement read as ‘while last year’s summit served to underline the EU’s strong support for Pakistan’s democratic government, the second summit has set up the basis for a strategic dialogue aimed at foreign partnership for peace and development rooted in shared values, Principles and commitments’[20] In that summit the goals that were identified for their
mutual cooperation and working were respect and to promote human rights, global security issues, humanitarian assistance, trade and economic, and cooperation to strengthen Pakistan democratic institutions [20]. Both the partners agreed to draw an engagement plan for five years for joint actions on identified targets most notably democracy, human rights, economy and trade, education, energy, counter narcotics, regional security, science and technology, disarmament and non-proliferation and most importantly countering terrorism and extremism in a country [20]. The EU –Pakistan Five year engagement plan was given in February 2012. The preamble of the engagement plan read as:

‘The aim of the 5-year Engagement Plan, as stated in the Joint Statement of the second EU-Pakistan Summit, ‘is to build a strategic relationship by forging a partnership for peace and development rooted in shared values, principles and commitments’[21].

In the context of promoting democratic process EIDHR (European Union initiative for democracy and human rights) is an initiative used by the EU for giving full assistance to civil society organization in third world countries which work for democracy, supporting human rights. Through its EIDHR assistance 2,715,000 euros was given to Pakistan as financial assistance to micro projects in Pakistan [12].

7. CONCLUSION:

Discussion on EU-Pakistan cooperation network of agreements and action plans highlights that Pakistan can derives great benefits from partnership agreements in these specific areas. The government of Pakistan and its bureaucracy shall work out to avail maximum from EU in areas of mutual cooperation like trade, commerce, technology and science, terrorism and security and extremism issues. For instance Pakistan shall diversify its trade with all the EU member states. Beside that Pakistan shall try to work out to develop its strategic relationship with EU. EU no doubt can play a very good role by giving its support and assistance to Pakistan to become a strong and stable country in South Asia. The relationship based on partnership agreement and aid programs shall evolve into a much broader framework of assistance. The question how Pakistan shall develop strategic relationship with EU; its importance for Pakistan and affects for the region is open for research further.

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