



The EU-Pakistan relationship: looking beyond the trading partnership

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Theme

The EU is Pakistan's leading trading partner, although this has not translated into political influence. A new policy aims to enhance the traditional relationship between the two partners.

Summary

The relationship between the EU and the Islamic Republic of Pakistan has grown in recent years in the fields of politics and development. However, although the EU is regarded as a strong economic player it is still seen as a weak political power. The EU intends to change that view by using its position as a development and aid donor as its main strategy to foster democracy and strengthen Pakistan's institution-building. The main areas of cooperation are development, trade, humanitarian assistance and sectoral co-operation on energy, environment, health, transport, migration and climate change. The challenge for both partners is to get to know each other and build up mutual trust as the intention is to develop a long-term relationship.

Analysis

Over the past 10 years the EU has started to broaden its relations with Asian countries beyond being merely a trading partner. Indeed, the EU is Pakistan's largest trading partner. Nonetheless, with the beginning of the 21st century, the EU has realised it needs to develop stronger and broader policies with Asian countries. Pakistan has been on the periphery of the EU's policy in Asia. Its interest in the country has grown mainly because of the presence of European troops in the International Security Assistance Force (ISAF) in Afghanistan, the link with homegrown terrorism and strong US and British insistence that the EU should help stabilise the country. US aid to Pakistan has been irregular, with periods of high disbursement of funds and periods of aid freeze. Regardless of economic aid, considerable military assistance has made it subject to criticism from Pakistan's

¹ S. Islam (2013), 'EU-Pakistan Relations: The Challenge of Dealing with a Fragile State', in Christiansen, Kirchner & Murray (Eds.), *The Palgrave Handbook of EU-Asia Relations*, Palgrave Macmillan.

perspective, although it is precisely what Islamabad has mainly demanded from Washington. After the US Congress passed what is known as the Kerry-Lugar-Berman bill (2009), the US Administration decided to separate security from development assistance.² The EU's perspective has chosen to follow a different path from the US. Nevertheless, regardless of their different approaches, both partners should contribute to Pakistan's stabilisation.

The cornerstone of the EU is democracy. Thus, the basis for the agreements between the EU and Pakistan is democracy and its underpinning values: respect for human rights, good governance and the rule of law. Since 1995, the EU has included democracy and human rights clauses in its foreign policy and its development cooperation. The promotion of democracy has become a key element of the EU's development cooperation with Pakistan, not only because of its added value, but also because of security concerns. In October 2009 the European Parliament adopted a resolution called 'Democracy-building in external relations'. The paper formally called for the co-ordination of its external action with the promotion of democratic values, human rights and development policy instruments. Among other principles, it endorsed the UN's definition of democracy.³

As part of its promotion of democracy, the EU involves civil society organisations and it has also linked the observation of elections to its foreign policy. The European Initiative for Democracy and Human Rights (EIDHR) and the EU Election Observation Mission (EOM) are the instruments used for the implementation of democracy, good governance, strengthening of electoral frameworks and human rights. Considering Pakistan's history of frequent transitions, during which the regime has periodically changed from military to weak civilian government, the EU regards civil society organisations as the best allies for stabilisation and development on a long-term perspective. The EOM is possibly one of the EU's bestknown instruments in Pakistan. The EU sent missions to Pakistan for the 1997, 2002, 2008 and 2013 elections. In 2008, the mission was a boost to confidence in Pakistan's transition at an especially delicate moment. In 2013 the EOM comprised 52 long-term observers, 46 short-term ones and 11 core team members. The election marked a milestone in the history of democracy in Pakistan, as it was the first time in its history that a democratically-elected civilian government handed power over to another peacefully. The high turn-out was a sign that the population is still involved in the process of choosing their leaders. Nevertheless, democracy is not only about holding elections. The EOM's reports, although valuing the efforts made, reflected the main problems and weaknesses of the electoral framework. Pakistani politicians have usually considered the reports' recommendations an interference in their domestic affairs.

² For more information on US assistance to Pakistan see: Aid to Pakistan by the Numbers, http://www.cgdev.org/page/aid-pakistan-numbers.

³ The principles are described in 'European Parliament resolution of 22 October 2009 on democracy building in the EU's external relations', http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2009-0056+0+DOC+XML+V0//EN.

The most prominent feature of the EU's policy towards Pakistan is the link established between its economic and commercial policy and democracy and human rights. The 5-Year Engagement Plan (2007-13) was developed according to the documents drafted by Pakistan: Vision 2030, Medium-term Development Framework (MTDF) and the Poverty Reduction Strategy Paper (PRSP-I, 2004). They follow the recommendations of the United Nations' Millennium Development Goals' strategies, focused on halving poverty between 1990 and 2015. The latest policy agenda, EU-Pakistan Multi-Annual Indicative Programme (2014-20), has varied slightly. The main documents used in the policy agenda are Vision 2025 and PRSP-II (2010).4 PSPR is a comprehensive country-based strategy for poverty reduction that the International Monetary Fund and the World Bank require from countries considered for debt relief or before receiving aid from donors. The document should contain an assessment of poverty and a description of 'the macroeconomic, structural, and social policies and programs that a country will pursue over several years to promote growth and reduce poverty, as well as external financing needs and the associated sources of financing'. 5 The outlines of the policy agenda for Pakistan are based on three sectors (indicative amounts):

- (1) Rural Development (€340 million). This sector has three specific objectives: reinforcement of the performance of local government structures; improvement of rural livelihoods; and augmenting the nutritional status of women and children in rural areas. Pakistan's population is still basically rural, and this is where poverty is more prevalent. Its urban population, though increasing, stands at 36.8%. Agriculture thus remains important for the economy. It accounts for 25% of the GDP and employs around 40% of the labour force. Health expenditure is barely 2.5% of GDP and Pakistan still has to fight against polio, high infant mortality rates (69 per 1,000), a high maternal mortality ratio (260 deaths per 100,000 live births), malnutrition (58%) and severe food insecurity (28%).
- (2) Education (€210 million). The specific objectives are to improve equitable access to education, the quality of education and the productive capacity and employability of workers. The UNDP Human Development Index (2014) shows Pakistan ranking among the lowest (146th out of 198), with one of the lowest investments in education (2.4% of GDP). Only 54.9% of the population is literate (2005-12). The figures presented in PRSP-II show that literacy-rate growth is too slow (53% in 2004/05, 54% in 2005/06 and 55% in 2006/07). Another problem that has been identified is the lack of a skilled workforce in a still rapidly growing and young population. Pakistan's population is considered to be above 182 million (2013),⁶ about half of which is aged below 25. Given its growth (an

⁴ Vision 2025 was approved in May 2014 by the current government. It substitutes the Visions drafted by previous governments, such as Vision 2010 and Vision 2030.

⁵ For further details of the Poverty Reduction Strategy Papers (PRSP), see

http://www.imf.org/external/np/exr/facts/prsp.htm.

⁶ The latest census was carried out in 1998. A new one was scheduled for 2008 but was cancelled. One of the reasons is that the allocation of resources per province depends on the population.

average annual growth rate of 1.7 and a fertility rate of 3.2 for 2010-15), its population might be above 231 million by 2030. This demographic pressure will continue to contribute to high unemployment and migration patterns.

(3) Good governance, human rights and the rule of law (€97 million). The specific objectives are to reinforce the functioning of democratic institutions and electoral processes at all levels, support federalisation and decentralisation of the public administration in provinces and districts and improve security and the rule of law. Pakistan ranks 108th of 167 countries in the Democracy Index (The Economist Intelligence Unit, 2014) and 126th of 175 countries according to the Corruption Perception Index (Transparency International, 2014). Security is still one of the main concerns that affects the country at all levels.

The EU has increased its disbursement in humanitarian aid and development cooperation by €600 million per year compared with the previous plan. The EU aims to raise the level of coordination and cooperation with its member states and other donors. 'The EU Delegation, Germany, Denmark, France, Italy, Netherlands and the United Kingdom are implementing medium to long-term cooperation programmes with Pakistan representing over 95% of all EU assistance to the country'. The development and humanitarian projects cover a wide range of sectors, including: (a) peace building and stabilisation; (b) enhancing democracy and human rights; (c) building macroeconomic stability with high economic growth that will accelerate job creation and reduce poverty; (d) ensuring the effective delivery of basic public services such as education, health, water and sanitation and social protection; and (e) supporting regional integration.⁸ The European Community Humanitarian Office (ECHO) became operational in Pakistan in the 1990s. ECHO's assistance is based on vulnerability criteria. In 2013 it made the second biggest contribution to the country (€55 million, or 27% of total foreign aid), while it allocated €45 million in 2014, €5 million of which was aimed at assisting internally-displaced people. Pakistan's poverty shows considerable regional disparities. The EU has identified Khyber-Pakhtunkhwa, Balochistan and the Federal Administered Tribal Areas as the most vulnerable areas. In Sindh, ECHO is developing a programme for undernourished children and food insecurity.9

Evolution of an institutional rapprochement

The EU's relationship with Pakistan began in 1962, when, as the European Economic Community, it established diplomatic relations with Islamabad. Pakistan and the EU have since signed three Generation Agreements on trade. The first, the EC-Pakistan Commercial Cooperation Agreement was signed in 1976. An office

⁷ EU-Pakistan Multi-Annual Indicative Programme 2014-2020, p. 5. See

http://ec.europa.eu/europeaid/sites/devco/files/mip20142020-programming-pakistan-20140811_en.pdf. 8 /bid.

⁹ Sindh has a higher rate of food insecurity (72%) than the Pakistani average (58%).

¹⁰ Information about institutional, trade and development relations between the EU and Pakistan can be consulted on the website of the Delegation of the European Union to Pakistan: http://www.eeas.europa.eu/delegations/pakistan/index_en.htm.

of the European Commission was the EU's first institutional representation in the country. It was established in Islamabad in 1985, to be upgraded into a delegation three years later. The second (five-year) Generation Agreement was signed in 1986 and was mainly devoted to commerce, economy and development cooperation. The third agreement took longer to sign for a variety of reasons. From 1995, the EU started introducing human rights clauses in its commercial policy. The agreement was further postponed after the nuclear tests in May 1998 and the coup of October 1999. During military rule, relations were almost frozen, except for relief aid. It was not until Pakistan backed the US-led coalition in Afghanistan after 9/11 that the EU re-started talks with the Musharraf government. Since the 1999 coup, the EU had sent periodical delegations to Pakistan to persuade the General to hold elections and allow a civilian government to form. Although there were elections in 2002, the European Observation Mission described them as non-democratic. This factor limited relations to a low level.

After much delay, in 2004, the Third Cooperation Agreement with Pakistan entered into force. This agreement is the current legal and political basis for the relationship. The last five-year cooperation plan broadened its remit into further areas: strategic/political; security; democracy, governance, human rights and socio-economic development; trade and investment; energy; and sectoral cooperation. It also established an EU-Pakistan Joint Commission. Several meetings at the highest level followed this institutional rapprochement. In 2007 the first meeting was held in Islamabad; the second took place in March 2009 in Brussels and the third in Islamabad in March 2010.

Table 1. 2012 EU-Pakistan trade data (January-December)

Rank	Imports	€ (million)	Rank	Exports	€ (million)
1	Austria	37,93	1	Austria	86,54
2	Belgium	292,02	2	Belgium	300,22
3	Bulgaria	11,45	3	Bulgaria	12,37
4	Cyprus	3,17	4	Cyprus	4,90
5	Czech Republic	43,60	5	Czech Republic	26,11
6	Germany	848,74	6	Germany	855,32
7	Denmark	67,79	7	Denmark	66,70
8	Estonia	7,14	8	Estonia	11,54
9	Spain	372,53	9	Spain	153,16
10	Finland	22,20	10	Finland	56,71
11	France	358,01	11	France	540,33
12	UK	900,84	12	UK	640,18
13	Greece	34,46	13	Greece	46,41
14	Hungary	9,72	14	Hungary	29,97
15	Ireland	40,18	15	Ireland	25,70
16	Italy	431,48	16	Italy	612,32
17	Lithuania	14,69	17	Lithuania	13,16
18	Luxembourg	0,34	18	Luxembourg	9,08
19	Latvia	2,98	19	Latvia	3,63
20	Malta	1,95	20	Malta	0,34
21	Netherlands	313,78	21	Netherlands	298,30
22	Poland	54,72	22	Poland	61,16
23	Portugal	61,29	23	Portugal	13,95
24	Romania	22,35	24	Romania	15,67
25	Sweden	88,55	25	Sweden	183,90
26	Slovenia	11,00	26	Slovenia	11,50
27	Slovakia	15,16	27	Slovakia	22,67
	Total EU-27	4,068.07		Total EU-27	4,101.82

Source: Eurostat (Intra- and extra-EU trade).

With the Pakistani elections of 18 February 2008, the EU found itself in a more comfortable position. It could deal with a democratically-elected civilian government. Since then, the EU's main thrust has been to facilitate the transition and consolidate

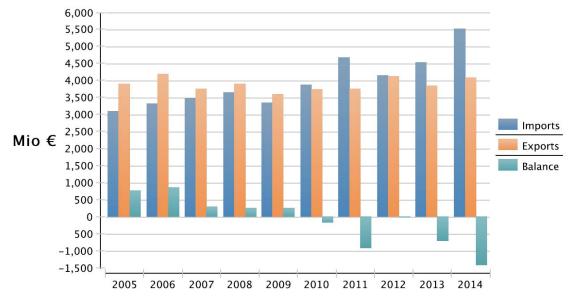
democratic institutions. Two summits in 2009 and 2010 opened up a bilateral dialogue. The first EU-Pakistan summit was held on 17 June 2009 in Brussels. The European representation was made up of Vaclav Klaus, President of the Czech Republic, José Manuel Durão Barroso, President of the European Commission, and Javier Solana, High Representative for the EU's Common and Security Policy. President Asif Ali Zardari attended on behalf of Pakistan. They discussed security-related issues, especially after events in Pakistan bore witness to rising insecurity.

Security cooperation with Pakistan from the EU's perspective is aimed at improving counter-terrorism capabilities (especially in the field of law enforcement and criminal justice) and strengthening the police force's competences. They discussed other issues such as the deterioration of the security situation in Khyber-Pakhtunkhwa and the tribal areas, as well as the requirement of regional stability with its neighbours. They emphasised the need to achieve safe and sustainable energy supplies, given Pakistan's acute energy provision problems. For the government of Pakistan though, one of the most important issues was the request for further access for Pakistani goods to the European markets and preferential tariff regime concessions.

The office of the European Commission was turned into a fully-fledged delegation with a staff of 80 when the Treaty of Lisbon came into force in December 2009. The head of the delegation, Lars-Gunnar Wigemark, is accredited as an ambassador of the EU in Pakistan. The Delegation coordinates with the embassies and ambassadors of member states representing the EU's interests and policies in Islamabad. Granting the status of ambassador to the head of the office adds to the institutionalisation of the presence of the EU in Pakistan and bears witness to the intention of establishing a long-term relationship.

The second summit was held in June 2010 in Brussels. Herman Van Rompuy, President of the European Council, and José Manuel Durão Barroso, President of the European Commission, and Karel de Gucht, Commissioner for Trade, represented the EU, while Prime Minister Yusuf Raza Gilani, Makhdoom Shah Mahmood Qureshi, Foreign Minister, and Makhdoom Mohammad Amin Fahim, Commerce Minister, represented Pakistan. According to the Joint Statement, the aim of this summit was 'to set the basis for a strategic dialogue aimed at forging a partnership for peace and development rooted in shared values, principles and commitments. In this context leaders reaffirmed their determination to jointly address regional and global security issues, to promote respect for human rights, economic and trade cooperation and provision of humanitarian assistance, and to cooperate to further strengthen Pakistan's democratic government and institutions'. The EU-Pakistan 5-year Engagement Plan was adopted in 2012, after the Lisbon Treaty came into force.

¹¹ For a complete review of the text see 'Second EU-Pakistan Summit Brussels, 4 June 2010, Joint Statement', http://www.consilium.europa.eu/uedocs/cmsUpload/114922.pdf.



Graph 1. EU-Pakistan trade flows and balance, 2005-14 (€ million)

Source: European Union, Trade in goods with Pakistan, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113431.pdf.

Summits have since then been followed by Strategic Dialogue meetings. The first was held in Islamabad in April 2013, while the latest took place in Brussels in March 2014. On 12 December 2013 (to become effective on 1 January 2014), the EU granted Pakistan the much sought-after GSP+ status by an overwhelming majority. This initiative has facilitated the entrance of Pakistan's products at a zero tariff and more than 70% at a preferential rate. Therefore the trade surplus with the EU enjoyed by Pakistan since 2010 is expected to increase in the following years. Pakistan's exports are mainly textiles (41.8%), clothing (33.6%) and leather products (13.5%). The EU exports mechanical and electrical machinery (48%), chemicals and pharmaceuticals (13.5%) and telecommunication equipment (12.4%).¹²

Weaknesses and lessons learnt

Although it has been emphasised that the EU-Pakistan relationship is based on shared values, there does not seem to be a clear-cut understanding; the norms and values that have made possible the construction of a supranational institution like the EU do not coincide with those of the state of Pakistan. While European countries have ceded a good part of their sovereignty to the Union's institutions, Pakistan is more likely to defend its autonomy and its right for others not to interfere in its domestic affairs. The price some partners have to pay for their alliances differs. This is especially true of Pakistan. Its different governments have lost legitimacy and popularity because of their relationship with the US. As a result of recent events, such as the drone attacks or the promulgation of the Kerry-Lugar-Bergman Bill, acceptance of interference in Pakistan's affairs has been considered a price too high to pay. Elected politicians do not have the same powers as military leaders. The

¹² Data available on the website of the Delegation of the European Union to Pakistan: http://www.eeas.europa.eu/delegations/pakistan/index_en.htm.

position of Pakistan's politicians is weak due to political fragmentation and open criticism by the media. They also lack the coercive power of the military. Democratic institutions have been severely damaged after almost 40 years of interference from military rule. The army has developed an economic emporium which makes it an elite in its own right, besides devoting much of the national budget to defence and controlling foreign and defence policies. What role the EU has in mind for the military is something that needs to be debated. It is obvious that they are necessary for Pakistan to become more secure and prosperous, but also that they should be part of the solution, not the problem.

Summits are a means used by the EU to deal with its partners and have become an essential tool for decision-making. They helped legitimise Pakistani leaders in the eyes of their population. It was essential for them to achieve a new political alliance, given the troubled relations with the US. But misunderstandings can arise, too, from the different visions held by Europeans and Pakistanis about the nature of the meetings and suitable interlocutors. An example occurred at the second summit. In February 2010 the Pakistan Foreign Office informed the EU that Prime Minister Yousuf Raza Gilani would attend instead of President Zardari. Surprisingly, the EU considered that with Gilani's attendance it could not be called a 'summit' and that President Zardari should represent Pakistan, as they expected representation at the 'highest level'. The message was conveyed to the Foreign Minister, Shah Mahmood Qureshi, at a meeting with EU foreign policy chief Catherine Ashton on 16 February. 13 But what the EU considered a 'protocol mismatch' could have easily been considered a disregard for Pakistan's latest constitutional advances. The signature of the 18th Amendment of the Constitution of Pakistan (19 April 2010) devolved power from the President to the Prime Minister. It formally declared Pakistan to be a parliamentary republic instead of the military's preferred semipresidential system. It was an effort, too, to reinforce democratic institutions in Pakistan. Given the EU's declared support for democracy, it should have welcomed the move from the very beginning. At last, the summit was finally held on 4 June, instead of 21 April as originally scheduled, and acknowledged the new system by welcoming the Prime Minister as the highest political authority. The EU could avoid situations like this by raising its level of awareness of the situation in Pakistan through the promotion of research and dialogue between both partners' academics and experts.

Another problem with the EU is that it is not regarded as a serious political and security actor. In that field, the institutional framework and the policy conditionality of the Union prevents it from being perceived as a strong power. The focus that the EU has placed on trade and democracy, and the fact that it is virtually absent in the field of security and military support (except for counter-terrorism and police training programmes), limits its potential influence on Pakistan. Some consider that the aid and development approach is a mistaken and out-dated policy. It not only limits how

it is perceived by the military, but also by political parties. Pakistan's closest allies (the US, China and Saudi Arabia) have traditionally been a source of weapons' provision. The question that arises is what strategy to follow in case a military government should return to power. This scenario is particularly feasible given the required push for Pakistan's civilian government to reduce the role of the military in foreign, defence and intelligence affairs. The problem lies with what the civilian government can achieve on its own (if it wants to achieve it) and what the military consent to. In this equation, how can the EU engage the military with a 'democracy' discourse? The EU should not, at any cost, feed the Pakistan military's desire for parity with India. The EU can instead provide its own experience with some of its member states. The Pakistani military can benefit from other countries' experiences. The prevalent role of the military in the dictatorship in Spain changed after the death of Francisco Franco in 1975. The EU's role in Spanish development and democratic consolidation was essential. What is most valuable for Pakistan is that the Spanish military gained the respect of Spain's population and of the rest of the world once it learnt to be a professional force under civilian authority.

The fall into disrepute caused by foreign interventions in Iraq (2003) and Afghanistan (2001-14) has harmed the EU's and Pakistan's perceptions of each other. Pakistanis consider that claims about democracy and human rights are only excuses for foreign powers to apply neo-colonialist policies. Although this may be reflected in the policies of some individual member states, it might be the EU itself that pays the price. This lack of trust can only be addressed through a dialogue between equals. Europe can bear witness to the success (regardless of the current crisis) achieved by the acceptance of difference in its framework of common values. Pakistan needs to address its own issues with its provinces, find a path to integrate different visions of Pakistan and undertake a serious policy review. The construction of the 'ideology of Pakistan' as the national identity is a straitjacket for minorities and an obstacle to the integration of Pakistan's otherwise plural population, especially its heterogeneous Islamic practices. One of the main concerns for the European allies is the plight of minorities in Pakistan and the duplicity with which Islamabad deals with leaders and members of different terrorist groups.14 It would be wise to bear in mind Muhammad Ali Jinnah's Constituent Assembly speech on 11 August 1947. He provided a framework for the acceptance of Pakistan's plural society (ethnic, religious, sectarian, linguistic), which should be considered a strength rather than a weakness.

Conclusion

The challenge for Europe is to achieve a comprehensible and credible policy towards Pakistan. The EU needs to be regarded as more than just a trade partner. Policy and defence remain weak areas of its foreign policy with Pakistan. Europe's foreign policy towards Pakistan requires Islamabad to change its behaviour, but this

While it has persecuted some al-Qaeda and Pakistani Taliban leaders, it seems to have no intention of bringing members and leaders of the *Lashkar-e Taiba* or *Lashkar-e Jhangvi* to justice.

can be regarded as interference. At the same time, Pakistan needs to understand that respect for human rights is not an empty demand on paper, but one that has to be matched with real policies.

Europe acknowledges the sacrifices made by Pakistan after 2001. Nonetheless, Pakistan must admit its own policy mistakes. A recent declaration by the European Parliament (9 February 2015) issued a warning about European funds being channelled, deliberately or through neglect, to terrorists groups. Furthermore, it warned Pakistan that the European Court of Auditors and the European External Action Service will scrutinise Pakistan since 'there is a suggestion of evidence of support for terrorist activity'. 15 The result, it reads, will be the total or partial freezing of funds. In this regard, the European Parliament demands from the Union a more coherent approach, avoiding double standards and acting consistently if it wants to be regarded as a reliable ally. Warnings should thus be taken seriously. The EU is also taking a firm stand on Pakistan after it lifted the moratorium on the death penalty. Since 2014, there have been at least 55 executions. The Government of Pakistan stated that it would only execute those convicted of terrorism. Nonetheless, it is also using the Anti-Terrorism Law for other convicts. It would also be breaking its own law, as it currently intends to execute a man who was convicted when he was 14 years old. A juvenile cannot be sentenced to death according to Pakistan's Juvenile Justice Systems Ordinance (2000).

Pakistan could take advantage of a partner that has expressly manifested its intentions of establishing a long-term relationship, and that has not cut aid, regardless of the many political crises. The EU's role should be that of a partner in dialogue, allowing Pakistan to find its way and devise its own its formula for democratic consolidation. The rounds of talks, summits and visits should pave the way for achieving a consensus on the process and agreeing which reforms should be undertaken. This should not mean that there are no limits. Although the EU is well aware that reforms take time, it is growing impatient with Pakistan's inability to protect its minorities. As a donor, the EU's funds are not meant to become a substitute for revenue generation. After all, partnership comes with responsibilities.



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