

# BULLETIN

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## EU Policy on Pakistan: Time to Act

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*The EU–Pakistan Engagement Plan adopted on 8 February comes at a crucial time when Pakistan is facing multiple internal crises and NATO is preparing to withdraw from Afghanistan. The combination of growing internal difficulties and ongoing tensions in U.S.–Pakistan relations calls for the EU to engage more actively with Pakistan. The EU has several important diplomatic, trade and financial tools to assist in the consolidation of democracy, spur sustainable development, and encourage regional cooperation. Regular Strategic Dialogue could be a good platform to serve these aims.*

The EU Council adopted on 8 February the EU–Pakistan Five-Year Engagement Plan to “build a strategic relationship”. This strategy comes on top of two EU–Pakistan Summits (June 2009, June 2010) in an attempt to revive relations and strengthen cooperation in six areas: strategic and political issues; security; democracy, governance, human rights and socio-economic development; trade and investment; energy; and other development issues. The plan supports the deepening of a Strategic Dialogue at the foreign minister level, establishes two sectoral dialogues in the field of security, encourages stronger parliamentary, cultural and academic exchanges, and more. The document set a general roadmap for broad cooperation to address Pakistan’s numerous challenges.

**Multiple Crises.** Pakistan’s internal and international situation has become more complicated in the last year and, in the coming months, may prove decisive for its future. General elections due by February 2013 will most likely take place later this year as the current civilian government is facing growing tensions with the powerful military and the Supreme Court. Although a military coup is the least likely scenario, the eventual conviction of PM R. Gilani (charged with contempt of court for failing to reopen old corruption cases against President Ali Zardari) could result in his resignation from office and possibly the early dissolution of parliament. In this situation, holding free and fair elections and a peaceful transfer of power to a new government would hold profound significance for the consolidation of Pakistan’s fragile democracy.

The political crisis may still be widened by security and economic challenges and the growing international isolation of Pakistan. Although violent attacks decreased by 12% last year, Pakistan is still one of the countries most affected by terrorism (1,966 attacks in 2011) and ethnic and political violence. A difficult economic situation, energy shortages and a lack of perspectives for the numerous Pakistani youth (half of the population is below the age of 22) could lead to more social unrest and feed the further radicalisation of parts of the society. Also, a downward trend in relations with the U.S. since last year contributes to Pakistan’s instability. The ongoing review of Pakistan’s cooperation with the U.S. and the approaching date for ISAF’s withdrawal from Afghanistan will probably increase these tensions and make rebuilding this relationship more difficult. This situation calls for greater engagement by the EU.

**Interests and Expectations.** In 2009, the EU Council recognized that “the conflict in Afghanistan cannot be solved without addressing the complex situation in Pakistan”. The EU needs a stable and cooperative Pakistan to assist in the realisation of a “transition strategy” in Afghanistan that would allow for the swift withdrawal of almost 33,000 European troops from the region by 2014. The EU may try to put pressure on Pakistan to improve cooperation on counterterrorism, but its opportunities to make an impact on Pakistani policy seem even more limited than that of the U.S. Moreover, viewing Pakistan only through the prism of Afghanistan would be a grave mistake.

With the second largest Muslim population on Earth (more than 190 million people), a growing arsenal of nuclear weapons and serious internal challenges, Pakistan's significance to world peace and stability is indeed much greater than that of Afghanistan. With Pakistan a source of many terrorist plots in the EU, illegal drugs, organized crime, religious extremism and regional instability, the situation there has a direct impact on security in Europe. If the country were to find its way to peaceful growth it could quickly become an emerging middle-power and an important market for European products; however, if it descends into turmoil it will need much more attention and resources than today. One way or another, a stable, democratic and prospering Pakistan is in the best interests of the EU and the world.

Pakistan wants better relations with the EU for both economic and strategic reasons. First, it seeks greater access to the EU common market. The EU is already its largest trading partner and the destination for 21.6% of its exports in 2010. Following the devastating floods in Pakistan in 2010, the EU began efforts to reduce tariffs on 75 products that would increase the country's exports by €100 million (at a cost to the EU of €80 million in lost tariff revenue). Pakistan would also welcome technology transfers and more European investments in the country, especially in the energy and infrastructure sectors.

Second, Pakistan hopes to improve its international standing through a strategic partnership with the EU. It may consider the EU to be a potential alternative Western ally to the U.S., and seeks European support in its disputes with India (over Kashmir and the management of several key rivers) and recognition of its nuclear status on par with India. The EU, however, must be cautious not to inflate the expectations of the Pakistanis and should refrain from making promises it cannot deliver. Thus, talking about a strategic partnership similar to the one the EU has with India may be a rather counterproductive exercise.

**Conclusions.** Pakistan poses both challenges and opportunities for the EU. Regular Strategic Dialogue, as proposed in the Engagement Plan and which should start at the earliest opportunity, seems to be the right platform to pursue broad and comprehensive cooperation on many issues of mutual concern. Still, the EU must focus the first step on the most crucial issues: security, the economy and regional cooperation.

Pakistan's constructive help is crucial for a successful transition in Afghanistan by 2014 and regional peace and stability after 2014, even though it is still not clear whether both sides are on the same page concerning the expected form of the Afghan state. The EU must engage Pakistan more actively to clarify mutual interests in Afghanistan and address legitimate Pakistani concerns (such as the status of the Durand Line, the border with Afghanistan) if it wants to have more leverage over Pakistan. Simultaneously, the EU should revitalize efforts to address Pakistan's internal security challenges (e.g., terrorist attacks, radicalisation of society). These efforts could include further support for development in border regions, engagement in security-sector reforms and support for the judiciary. However, the EU must not repeat the mistakes made by the U.S. (a focus on military cooperation and unilateral actions in Pakistan) and instead give priority to political and economic support.

A "civilian power", the EU is well-positioned to address Pakistan's development needs and its democracy deficit—the real source of instability in the country. The EU must continue aid for rural development and education (especially vocational training) and pay more attention to trade-related technical assistance (e.g., to improve sanitary and phytosanitary standards, protection of intellectual rights). More important, the EU can do more to help Pakistan help itself by granting it more access to the EU market and locating more investments in Pakistan. Further trade liberalisation for Pakistani products (e.g., including them in the new GSP Regulation) and the start of serious negotiations on a Free Trade Agreement (especially since a similar deal may soon be concluded with India) have to be considered. The top priority, however, should be to strengthen the dialogue with civilian institutions and offer full support for the upcoming elections, including by sending an Election Observation Mission. This can help improve mutual confidence and earn more goodwill amongst the population, which is crucial to giving the EU room to manoeuvre in the country in the future.

Finally, the EU should also use its good relations with Pakistan, Afghanistan and India to incentivise regional reconciliation and cooperation. It can, for example, encourage full implementation of the Afghanistan–Pakistan Transit Trade Agreement, offer financial assistance to regional infrastructure projects (such as TAPI) conditioned on regional consensus, and support SAARC as the main platform to boost regional trust and trade. India's recent withdrawal of its objections to the WTO waiver sought by the EU for granting duty free access to some Pakistani products shows that action at the regional level can indeed bear fruit.