**Agreement on South Asian Free Trade Area (SAFTA)**

1. The SAFTA Agreement, signed in 2004, entered into force on 1 January 2006 and the Trade Liberalization Programme commenced from 1 July 2006.
2. The SAFTA Ministerial Council (SMC) has been established comprising Commerce Ministers of the Member States. To assist the SMC, a SAFTA Committee of Experts (SCOE) has been formed.

1. The total cumulative exports under SAFTA since July 2006 have crossed US$ 3 billion. Data on intra-SAARC Trade flows is not being received from Member States regularly.
2. As recommended by the Forty-first Session of Standing Committee, a Special Meeting of Customs and Commerce Authorities on Verification Mechanism relating to Rules of Origin under SAPTA and SAFTA was held in Islamabad on 2-3 July 2015. It held detailed deliberations on the Working Paper presented by India and recommended that the Member States may make the following documents available online in electronic form on their respective websites for clearance of consignments at the border points expeditiously:

 (i) Specimen signatures and seals of all officials who are authorised to sign the SAFTA Certificates of Origin in Member States; and

 (ii) Basic fields of a Certificate of Origin including:

 (a) Certificate of Origin Number

 (b) Date of Issuance of Certificate of Origin

 (c) Place of Issuance

 (d) Name of the Exporter

 (e) Name of the Certifying Officer

 (f) Importing Country

1. The Meeting agreed that once the above parameters are complied, it would be easier to clear the consignments. The above will also assist in verifying the rules of origin criteria as provided for in the SAFTA Rules of Origin, in case required.
2. On the feasibility and implications of harmonization of MFN Tariff across Member States, the Meeting recommended that a Study may be conducted, if possible, with the financial and technical assistance of ADB. The Study may identify tariff lines (8-digit HS) which are susceptible to trade distortions due to variations in customs tariff. As part of the Study, ADB may consult Member States on expansion in the list of products covered under the Product Specific Rules under SAFTA Rules of Origin and make recommendations in this regard. The Meeting welcomed the offer of India to prepare the Draft Terms of Reference (ToR) of the Study. After finalization of the Draft ToR, the SAARC Secretariat may request ADB to consider conducting the Study as per the approved TORs. This matter will be reviewed in the Second Meeting of Customs and Commerce Authorities on Verification Mechanism relating to Rules of Origin under SAPTA and SAFTA to be held in India. The Study, once finalized, will be first examined by the Sub-Group on Customs Cooperation before it is considered by the SAFTA Committee of Experts.
3. The Standing Committee at its Forty-first Session approved that a Special Meeting of SAFTA Committee of Experts be held after the Eighteenth SAARC Summit to consider the proposal put forward by the delegations from Bhutan, India, Maldives and Pakistan that peak tariff on all products may be reduced to 0 to 5% by the year 2020, excluding a small number of about 100 tariff lines which may still remain in the Sensitive Lists of Member States. Accordingly, a Special Meeting was held in Islamabad on 4 July 2015 to consider the above proposal. After discussions, the provisional/confirmed positions with regard to further trade liberalisation and reduction in the sensitive lists emerged as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Member State** | **To Reduce Sensitive Lists up to** | **To reduce Tariff to**  | **Positions** |
| **Afghanistan**  | 235 by **2030** | 0 to 5% by 2030 | Confirmed |
| **Bangladesh**  | **450 by 2030** | **0 to 5% by 2030** | **PROVISIONAL** |
| **Bhutan**  | 100 by 2020 | 0 to 5% by 2020 | Confirmed |
| **India**  | 100 by 2020 (for NLDCs) | 0 to 5% by 2020 | Confirmed |
| **Maldives**  | 100 by 2020 | 0 to 5% by 2020 | Confirmed |
| **Nepal**  | **500 by 2030** | **0 to 5% by 2030** | **PROVISIONAL** |
| **Pakistan**  | 100 by 2020 | 0 to 5% by 2020 | Confirmed |
| **Sri Lanka** | **To give position by October 2015 after consulting stakeholders** |

1. The Special Meeting of the SAFTA COE agreed that till such time all Member States are ready with their alternative proposal, no further Special Meeting of SAFTA COE should be convened. The proposal will be reviewed by the Commerce Secretaries of Member States at the next Meeting of the Committee on Economic Cooperation (CEC).
2. SAARC Chamber of Commerce and Industry (SCCI) represents the private sector in Meeting of SAFTA COE and is given an opportunity to make presentation and put forward their views.

**Removal of Non-Tariff and Para-tariff Barriers**

1. The SCOE at its First Meeting set up a Sub-Group on Non-Tariff Measures (NTMs) to address non-tariff barriers to intra-regional trade. Six meetings of the Sub-Group were held. At its last meeting on 11-12 June 2011 in the Maldives, the Sub Group completed its task of identification of Non-Tariff Measures/Para Tariff Measures (NTMs/PTMs). It was agreed that the remaining task of categorisation of NTMs/PTMs and their possible elimination and to see whether they are compatible with WTO or not would be taken up by the regular Meetings of SCOE.
2. A Special Meeting of the SCOE on NTMs/PTMs was held at the SAARC Secretariat on 31 July-1 August 2013 in order to go through the Notification of each Member State and to see how those can be eliminated. SCCI made a presentation on “Non-Tariff Barriers in South Asia: The Challenges and Way Forward”.
3. The Special Meeting of the SCOE examined the Notifications, Responses and Counter-Responses submitted by Bangladesh, India, Nepal, Pakistan and Sri Lanka, and observed that the non-tariff measures and para-tariff measures affecting their exports to other Member States fall into the following broad categories i.e. (a) Procedures; (b) Variations in Standards; (c) Transit, transport and infrastructural difficulties; (d) Para-tariff measures; and (e) Dispute Settlement Mechanism. In view of technical nature of the work involved in categorizing the Non-Tariff Measures and Para-Tariff Measures in appropriate categories as per internationally recognized norms, the Meeting recommended that a Consultant may be appointed by the SAARC Secretariat to examine the notifications on NTMs/PTMs submitted by Member States and to look into all relevant aspects and make suggestions on how to address the trade barriers.
4. The Consultant who conducted the Second Phase of Study on Regional Economic Integration examined all issues relating to NTMs/PTMs. The SAARC-Trade Promotion Network (TPN), comprising twenty-eight public and private sector organisations in eight Member States, has also brought out a detailed study on NTMs which was presented to the Ninth Meeting of SCOE (Thimphu, 22-23 July 2014). The Member States have also been requested to give their fresh Notifications on NTMs/PTMs as required under SAFTA Agreement.

**Further Reduction in the Sensitive Lists under SAFTA**

1. The Sixth Meeting of the SMC (Islamabad, 16 February 2012) established a Working Group to further reduce the number of products in the Sensitive Lists under SAFTA. In its Second Meeting (SAARC Secretariat, 30 July 2013), the Working Group on Reduction in the Sensitive Lists under SAFTA (Phase-III) reviewed the progress of implementation of decisions relating to reduction in the Sensitive Lists as agreed during Phase-II. The current status of the number of products covered in the Sensitive Lists of Member States before and after the 20% or more reduction is as given below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Member** **State** | **Number of Products in the original Sensitive Lists**  | **Number of Products in the Revised Sensitive Lists (Phase-II)** | **Status of Receipt of Revised Sensitive Lists as per HS-2012** |
| (1) | (2) | (3) | (4) |
| Afghanistan | 1072  | 850 |  **Not received** |
| Bangladesh | 1233 (LDCs)1241 (NLDCs) | 987 (LDCs)993 (NLDCs) | **Received** |
| Bhutan | 150 | 156  | **Received** |
| India | 480 (LDCs)868 (NLDCs) | 25 (LDCs)614 (NLDCs)  | **Received** |
| Maldives | 681 | 154  | **Received** |
| Nepal | 1257 (LDCs)1295 (NLDCs) | 998 (LDCs)1036 (NLDCs) | **Received**  |
| Pakistan | 1169 | 936 | **Received** |
| Sri Lanka | 1042  | 837 (LDCs)963 (NLDCs) | **Received** |

1. The Phase-II reduction in the Sensitive Lists has already been implemented by all Member States.
2. The Third Meeting of Working Group on Reduction in the Sensitive Lists under SAFTA (Phase-III) was held in Islamabad on 6 July 2015. It considered the matter relating to further reduction in the Sensitive Lists under SAFTA (Phase-III). The delegations from Member States agreed to the following reduction in the products covered in their Sensitive Lists under Phase-III:

|  |  |
| --- | --- |
| **Member State** | **Percentage Reduction**  |
| (1) | (2) |
| Afghanistan | 20 % |
| Bangladesh | 20 % |
| Bhutan | Not Applicable |
| India | 20 % for NLDCs only |
| Maldives | Not Applicable |
| Nepal | 20 % |
| Pakistan | 20 % |
| Sri Lanka | 10 % |

1. The delegation of Sri Lanka agreed to discuss the matter further with their stakeholders so that they could also agree to go beyond 10% reduction.