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Committee on Trade and Development

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SAARC PREFERENTIAL TRADING ARRANGEMENT (SAPTA)

Information submitted by the SAARC Members

The following communication, dated 21 April 1997 has been received from the Permanent Mission of India for the information of Members of the Committee on Trade and Development of the WTO.

1. The delegation of India on behalf of the WTO Members of the South Asian Association for Regional Cooperation (SAARC), namely Bangladesh, India, Maldives, Pakistan and Sri Lanka, has the honour to inform the World Trade Organization that an Agreement on SAARC Preferential Trading Arrangement (SAPTA) was signed by the SAARC Council of Ministers during the Seventh SAARC Summit in Dhaka, Bangladesh on 11 April 1993. All Member States of SAARC viz. Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka, are Contracting Parties to the SAPTA Agreement. A copy of the SAPTA Agreement¹ is enclosed for information and record.
2. The delegation of India has further to state that the following information is being furnished to the WTO Secretariat under the GATT Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries, or the "Enabling Clause".
3. The First Round of Trade Negotiations began for exchange of trade preferences under SAPTA subsequent to the signing of the Agreement. The fact of signing of the SAPTA Agreement was notified to the GATT Council Meeting held in Geneva on 22 September 1993 in pursuance of Paragraph 4(a) of the Enabling Clause by the delegation of Bangladesh, the then Chairman of SAARC. The GATT Council had taken note of the information provided by the delegation of Bangladesh.
4. SAARC Preferential Trading Arrangement (SAPTA) entered into force on 7 December 1995 subsequent to ratification and completion of all formalities by all SAARC Member States.
5. In the First Round of Trade Negotiations under SAPTA, the Contracting States have agreed to exchange concessions on 226 items. A copy of the Consolidated National Schedules of Concessions, giving full coverage of products under SAPTA² as approved by the Fifteenth Session of SAARC Council of Ministers (New Delhi, 30 April - 1 May 1995) is enclosed for information and record of the WTO.

¹English only.

²The Consolidated National Schedules of Concessions referred to in this communication have been submitted to the Secretariat for consultation by interested Members (office 3006).



**AGREEMENT
ON
SAARC PREFERENTIAL TRADING
ARRANGEMENT (SAFTA)**

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Preamble

The Government of the People's Republic of Bangladesh, the Kingdom of Bhutan, the Republic of India, the Republic of Maldives, the Kingdom of Nepal, the Islamic Republic of Pakistan and the Democratic Socialist Republic of Sri Lanka hereinafter referred to as "Contracting States",

**AGREEMENT
ON
SAARC PREFERENTIAL
TRADING ARRANGEMENT
(SAFTA)**

Motivated by the commitment to promote regional co-operation for the benefit of their peoples, in a spirit of mutual accommodation, with full respect for the principles of sovereign equality, independence and territorial integrity of all States;

Aware that the expansion of trade could act as a powerful stimulus to the development of their national economies, by expanding investment and production, thus providing greater opportunities of employment and help securing higher living standards for their population;

Convinced of the need to establish and promote

SOUTH ASIAN ASSOCIATION FOR
REGIONAL COOPERATION

regional preferential trading arrangements for strengthening intra-regional economic cooperation and the development of national economies;

Bearing in mind the urgent need to promote the intra-regional trade which presently constitutes a negligible share in the total volume of the South Asian trade;

Recalling the direction given at the Fourth SAARC Summit meeting held in Islamabad in December 1988 that specific areas be identified where economic cooperation might be feasible immediately;

Guided by the declared commitment of the Heads of State or Government of the Member Countries at the Sixth SAARC Summit held in Colombo in December 1991 to the liberalisation of trade in the region through a step by step approach in a such manner that countries in the region share the benefits of trade expansion equitably;

Cognizant of the mandate given by the Sixth SAARC Summit in Colombo to formulate and seek agreement on an institutional framework under which specific measures for trade liberalisation among SAARC Member States could be furthered and to examine the

Sri Lankan proposal to establish the SAARC Preferential Trading Arrangement (SAPTA) by 1997;

Recognising that a preferential trading arrangement is the first step towards higher levels of trade and economic cooperation in the region,

Have agreed as follows:

Article - 1 Definitions

For the purpose of this Agreement:

- (1) "Least Developed Country" means a country designated as such by the United Nations.
- (2) "Contracting State" means any Member State of the South Asian Association for Regional Cooperation (SAARC) which has entered into this Agreement.
- (3) "Serious injury" means significant damage to domestic producers, of like or similar products resulting from a substantial

- increase of preferential imports in situations which cause substantial losses in terms of earnings, production or employment unsustainable in the short term. The examination of the impact on the domestic industry concerned shall also include an evaluation of other relevant economic factors and indices having a bearing on the state of the domestic industry of that product.
- (4) **"Threat of serious injury"** means a situation in which a substantial increase of preferential imports is of a nature to cause "serious injury" to domestic producers, and that such injury, although not yet existing, is clearly imminent. A determination of threat of serious injury shall be based on facts and not on mere allegation, conjecture, or remote or hypothetical possibility.
- (5) **"Critical circumstances"** means the emergence of an exceptional situation where massive preferential imports are causing or threatening to cause "serious injury" difficult to repair and which calls for immediate action.
- (6) **"Sectoral basis"** means agreements amongst Contracting States regarding the removal or reduction of tariff, non-tariff and para-tariff barriers as well as other trade promotion or cooperative measures for specified products or groups of products closely related in end-use or in production.
- (7) **"Direct trade measures"** means measures conducive to promoting mutual trade of Contracting States such as long and medium-term contracts containing import and supply commitments in respect of specific products, buy-back arrangements, state trading operations, and government and public procurement.
- (8) **"Tariffs"** means customs duties included in the national tariff schedules of the Contracting States.
- (9) **"Para-tariffs"** means border charges and fees, other than "tariffs", on foreign trade transactions of a tariff-like effect which are levied solely on imports, but not those

indirect taxes and charges, which are levied in the same manner on like domestic products. Import charges corresponding to specific services rendered are not considered as para-tariff measures.

(10) "Non-tariffs" means any measure, regulation, or practice, other than "tariffs" and "para-tariffs", the effect of which is to restrict imports, or to significantly distort trade.

(11) "Products" means all products including manufactures and commodities in their raw, semi-processed and processed forms.

Article - 2

Establishment and Aims

1. By the present Agreement, the Contracting States establish the SAARC Preferential Trading Arrangement (SAPTA) to promote and sustain mutual trade and the economic cooperation among the Contracting States, through exchanging concessions in accordance with this Agreement.
2. SAPTA will be governed by the provisions of this

Agreement and also by the rules, regulations, decisions, understandings and protocols to be agreed upon within its framework by the Contracting States.

Article - 3

Principles

SAPTA shall be governed in accordance with the following principles:-

- (a) SAPTA shall be based and applied on the principles of overall reciprocity and mutuality of advantages in such a way as to benefit equitably all Contracting States, taking into account their respective levels of economic and industrial development, the pattern of their external trade, trade and tariff policies and systems;
- (b) SAPTA shall be negotiated step by step, improved and extended in successive stages with periodic reviews;
- (c) The special needs of the Least Developed Contracting States shall be clearly recognised and concrete preferential measures in their favour should be agreed

upon;

- (d) SAPTA shall include all products, manufactures and commodities in their raw, semi-processed and processed forms.

Article - 4 Components

SAPTA may, inter-alia, consist of arrangements relating to:-

- (a) tariffs;
- (b) para-tariffs;
- (c) non-tariff measures;
- (d) direct trade measures.

Article - 5 Negotiations

- 1. The Contracting States may conduct their negotiations for trade liberalisation in accordance with any or a combination of the following approaches and procedures:-

- (a) Product-by-product basis;

- (b) Across-the-board tariff reductions;
 - (c) Sectoral basis;
 - (d) Direct trade measures.
- 2. Contracting States agreed to negotiate tariff preferences initially on a product-by-product basis.
 - 3. The Contracting States shall enter into negotiations from time to time with a view to further expanding SAPTA and the fuller attainment of its aims.

Article - 6 Additional Measures

- 1. Contracting States agree to consider, in addition to the measures set out in Article 4, the adoption of trade facilitation and other measures to support and complement SAPTA to mutual benefit.
- 2. Special consideration shall be given by Contracting States to requests from Least Developed Contracting States for technical assistance and cooperation arrangements designed to assist them in expanding their trade with other Contracting States and in taking advantage of the potential benefits of SAPTA. The possible areas for such technical assistance and cooperation are listed in Annex - I.

Article - 7

Schedules of Concessions

The tariff, para-tariff and non-tariff concessions negotiated and exchanged amongst Contracting States shall be incorporated in the National Schedules of Concessions. The initial concessions agreed to by the Contracting States are attached as **Annex - II**.

Article - 8

Extension of Negotiated Concessions

The concessions agreed to under SAPTA, except those made exclusively to the Least Developed Contracting States in pursuance of Article 10 of this Agreement, shall be extended unconditionally to all Contracting States.

Article - 9

Committee of Participants

A Committee of Participants, hereinafter referred to as the Committee, consisting of representatives of Contracting States, is hereby established. The Committee shall meet at least once a year to review the progress made in the implementation of this Agreement and to ensure benefits of trade expansion emanating

from this Agreement accrue to all Contracting States equitably. The Committee shall also accord adequate opportunities for consultation on representations made by any Contracting State with respect to any matter affecting the implementation of the Agreement. The Committee shall adopt appropriate measures for settling such representations. The Committee shall determine its own rules of procedures.

Article - 10

Special Treatment for the Least Developed Contracting States

1. In addition to other provisions of this Agreement, all Contracting States shall provide, wherever possible, special and more favourable treatment exclusively to the Least Developed Contracting States as set out in the following sub-paragraphs:

- (a) Duty-free access, exclusive tariff preferences or deeper tariff preferences for the export products,
- (b) The removal of non-tariff barriers,
- (c) The removal, where appropriate, of para-tariff barriers,

- (d) The negotiations of long-term contracts with a view to assisting Least Developed Contracting States to achieve reasonable levels of sustainable exports of their products,
- (e) Special consideration of exports from Least Developed Contracting States in the application of safeguard measures,
- (f) Greater flexibility in the introduction and continuance of quantitative or other restrictions provisionally and without discrimination in critical circumstances by the Least Developed Contracting States on imports from other Contracting States.

Article - 11

Non-application

Notwithstanding the measures as set out in Articles 4 and 6, the provisions of this Agreement shall not apply in relation to preferences already granted or to be granted by any Contracting State to other Contracting States outside the framework of this Agreement, and to third countries through bilateral, plurilateral and multilateral trade agreements, and similar arrangements. The Contracting States shall also not be obliged to grant

preferences in SAPTA which impair the concession extended under those agreements.

Article - 12

Communication, Transport and Transit

Contracting States agree to undertake appropriate steps and measures for developing and improving communication system, transport infrastructure and transit facilities for accelerating the growth of trade within the region.

Article - 13

Balance-of-Payments Measures

1. Notwithstanding the provisions of this Agreement, any Contracting State facing serious economic problems including balance of payments difficulties may suspend provisionally the concessions as to the quantity and value of merchandise permitted to be imported under the Agreement. When such action has taken place, the Contracting State which initiates such action, shall simultaneously notify the other Contracting States and the Committee.
2. Any Contracting State which takes action according to paragraph 1 of this Article shall afford,

upon request from any other Contracting State, adequate opportunities for consultations with a view to preserving the stability of the concessions negotiated under the SAPTA. If no satisfactory adjustment is effected between the Contracting States concerned within 90 days of such notification, the matter may be referred to the Committee for review.

Article - 14

Safeguard Measures

If any product, which is a subject of a concession with respect to a preference under this Agreement, is imported into the territory of a Contracting State in such a manner or in such quantities as to cause or threaten to cause, serious injury in the importing Contracting State, the importing Contracting State concerned may, with prior consultations, except in critical circumstances, suspend provisionally without discrimination, the concession accorded under the Agreement. When such action has taken place the Contracting State which initiates such action shall simultaneously notify the other Contracting State(s) concerned and the Committee shall enter into consultations with the concerned Contracting State and endeavour to reach mutually acceptable agreement to remedy the situation. In the event of the failure of the Contracting States to resolve the issue

within 90 days of the receipt of original notification, the Committee of Participants shall meet within 30 days to review the situation and try to settle the issue amicably. Should the consultations in the Committee of Participants fail to resolve the issue within 60 days, the parties affected by such action shall have the right to withdraw equivalent concession(s) or other obligation(s) which the Committee does not disapprove of.

Article - 15

Maintenance of the Value of Concessions

Any of the concessions agreed upon under this Agreement shall not be diminished or nullified, by the application of any measures restricting trade by the Contracting States except under the provisions as spelt out in other Articles of this Agreement.

Article - 16

Rules of Origin

Products contained in the National Schedules of Concessions annexed to this Agreement shall be eligible for preferential treatment if they satisfy the rules of origin, including special rules of origin, in respect of the Least Developed Contracting States, which are set out in Annex - III.

Article - 17

Modification and Withdrawal of Concessions

1. Any Contracting State may, after a period of three years from the day the concession was extended, notify the Committee of its intention to modify or withdraw any concession included in its appropriate schedule.
2. The Contracting State intending to withdraw or modify a concession shall enter into consultation and/or negotiations, with a view to reaching agreement on any necessary and appropriate compensation, with Contracting States with which such concession was initially negotiated and with any other Contracting States that have a principal or substantial supplying interest as may be determined by the Committee.

3. Should no agreement be reached between the Contracting States concerned within six months of the receipt of notification and should the notifying Contracting State proceed with its modification or withdrawal of such concessions, the affected Contracting States as determined by the Committee may withdraw or modify equivalent concessions in their appropriate schedules. Any such modification or withdrawal shall be notified to the Committee.

Article - 18

Withholding or Withdrawal of Concessions

A Contracting State shall at any time be free to withhold or to withdraw in whole or in part any item in its schedule of concessions in respect of which it determines that it was initially negotiated with a State which has ceased to be a Contracting State in this Agreement. A Contracting State taking such action shall notify the Committee, and upon request, consult with Contracting States that have a substantial interest in the product concerned.

Article - 19

Consultations

1. Each Contracting State shall accord sympathetic consideration to and shall afford adequate opportunity for consultations regarding such representations as may be made by another Contracting State with respect to any matter affecting the operation of this Agreement.