FACULTY OF JURIDICAL SCIENCES

Lecture-30

South Asian Free Trade Area (SAFTA)

The South Asian Free Trade Area (SAFTA) is the free trade arrangement of the South Asian Association for Regional Cooperation (SAARC). The agreement came into force in 2006, succeeding the 1993 SAARC Preferential Trading Arrangement. SAFTA signatory countries are Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

SAFTA recognizes the need for special and differential treatment for LDCs in its preamble. This has been translated in the following measures:

Market access: LDCs benefit from smaller sensitive lists in some of the SAFTA members (meaning that they have DFQF access in a larger number of products) and less stringent rules of origin (requirement of change of tariff heading and value addition of 10% less than the general requirement for non-LDCs; the general rule is 60% and there are some product-specific rules – See Rule 10 of Annex IV of the Agreement).

Others:

- LDCs were allowed smaller initial tariff reduction and longer implementation periods under. trade liberalization programmes;
- LDCs can have a longer list of sensitive products exempted from liberalization commitments than non-LDC signatories;
- LDCs were granted greater flexibility in the continuation of quantitative or other restrictions;
- There is a commitment of contracting states to give, until the trade liberalization programme has been completed by all Contracting States, special regard to the situation of LDCs when considering the application of anti-dumping and/or countervailing measures, providing an opportunity for consultations and favorably considering accepting price undertakings offered by exporters from LDCs;
- The agreement contains a rule whereby safeguard measures are not to be applied against products originating in LDC contracting states, "as long as its share of imports of the product concerned in the importing Contracting State does not exceed 5 per cent, provided Least Developed Contracting States with less than 5 per cent import share collectively account for not more than 15 per cent of total imports of the product concerned";
- There is also a commitment to consider taking direct trade measures with a view to enhancing sustainable exports from LDC 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;

- LDCs were to be given special consideration in requests 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 SAFTA;
- A mechanism to compensate LDCs for their loss of tariff revenue upon liberalization is contained in Article 11 of the Agreement but was not implemented.