GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:356
ANSWERED ON:21.02.2006
SOUTH ASIA FREE TRADE AREA AGREEMENT
Adsul Shri Anandrao Vithoba;Gadhavi Shri Pushpdan Shambhudan;Pal Shri Rupchand;Scindia Shri Jyotiraditya Madhavrao;Singh Shri Sugrib;Thakkar Smt. Jayaben B.;Thomas Shri P.C.;Tripathy Shri Braja Kishore

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government has entered into South Asian Free Trade Area Agreement (SAFTA) which was scheduled to come into force from January 1, 2006;

(b) if so, the details thereof;

(c) the concession proposed to be provided to least developed countries in the said agreement;

(d) the steps taken by the Government to protect the interests of domestic traders/farmers;

(e) whether some countries have agreed to provide transit route after the implementation of SAFTA;

(f) if so, the details thereof, country-wise;

(g) the extent to which SAFTA will boost the regional trade; and

(h) the details of items excluded from the provisions of the SAFTA?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JAI RAM RAMESH)

(a) Yes Sir.

(b) Under the Agreement on South Asian Free Trade Area (SAFTA), a phased Trade Liberalization Programme (TLP) is envisaged. In two years, from the date of coming into force of the Agreement, Non -Least Developed Contracting States (non-LDCs) (india, Pakistan and Sri Lanka) will bring down tariffs to 20%, while Least Developed Contracting States (LDCs) (Bangladesh, Bhutan, Maldives and Nepal) will bring them down to 30%. Non-LDCS will then bring down tariffs from 20% to 0-5% in 5 years (Sri Lanka 6 years), while LDCS will do so in 8 years. This TLP would not be applicable to the items included in the Sensitive List under SAFTA of each Member State.

In view of different budget period of Member States, instead of 1 January, 2006, the first tariff reduction under TLP would be effected on 1st July 2006 by all Member States with the exception of Nepal which would do so on 1st August 2006.

(c) the agreed concessions to least developed countries of the SAARC are:

(1) While Non-LDCs are required to complete Trade Liberalization Programme in seven years (Sri Lanka 8 years), the LDCs can do so in ten years.

(2) Apart from the general provision in the SAFTA Rules of Origin (SAFTA ROO) which prescribes twin criteria of Change of Tariff Heading (CTH) at four- digit Harmonized Coding System (HS) and value content of 40% (30% for LDCSs), Products-Specific Rules (PSR) for 191 tariff lines have been prescribed under SAFTA ROO for LDCSs given their limited base for natural resources and undiversified industrial structure.

(3) Mechanism for Compensation of Revenue Loss (MCRL) for the L DCs for four years except to Maldives for which it would be six years.

(4) Technical Assistance to LDCs in agreed areas.

(d) In order to protect the interest of domestic traders/farmers, India has kept 884 items in the Sensitive List for Non-LDCs and 763 items in the Sensitive List for LDCs; on these items, Trade Liberalization Programme would not be applicable.

(e) & (f) Rule 8 of the Agreement on SAFTA stipulates trade facilitation and other mesures to support and complement SAFTA for mutual benefit which includes transit facilities for efficient intra-SAARC trade, especially for the land-locked Contracting States. However, no specific agreement has been signed in this regard.

(g) Implementation of SAFTA from 1st July 2006 is expected to significantly boost intra-SAARC Trade, but the same cannot be quantified at this stage.

(h) Our Sensitive Lists, on which Trade Liberalization Programme under SAFTA would not be applicable, include mainly goods/products from agricultural sector, textile sector, chemicals, leather and sectors reserved for Small Scale Sector.