

**NOTE BY THE SAARC SECRETARIAT ON
CURRENT STATUS OF
ECONOMIC AND FINANCIAL COOPERATION
UNDER THE FRAMEWORK OF SAARC**

As on 16 September 2014

At the Seventeenth SAARC Summit held in Addu, Maldives on 10-11 November 2011, the Leaders directed the SAARC Finance Ministers to chart a proposal that would allow for greater flow of financial capital and intra-regional long-term investment. The Seventeenth SAARC Summit also directed the SAFTA Ministerial Council to intensify efforts to fully and effectively implement SAFTA and the work on reduction in Sensitive Lists as well as early resolution of non-tariff barriers and expediting the process of harmonizing standards and customs procedures. Significant progress has been made in the areas such as South Asian Free Trade Area (SAFTA), SAARC Agreement on Trade in Services, trade facilitation measures harmonization of customs procedures, harmonization of standards, elimination of non-tariff and para-tariff barriers to trade, increasing cooperation in the field of finance and planned pursuit of South Asian Economic Union (SAEU). The SAARC Leaders have been emphasising the importance of enhancing financial and economic cooperation for regional integration. Several mechanisms under trade and economic cooperation have been established to push the process of moving from SAFTA to South Asian Economic Union.

Committee on Economic Cooperation

2. The Fifteenth Meeting of the Committee on Economic Cooperation (CEC) was held in the Maldives on 15-16 July 2012. The CEC comprising Trade/Commerce Secretaries of SAARC Member States was established to oversee and monitor the trade and economic cooperation under the framework of SAARC in 1991. The Fifteenth Meeting, inter-alia, reviewed the progress in the implementation of decisions relating to Trade Liberalisation Programme under South Asian Free Trade Area (SAFTA). It also deliberated on matters relating to Least Developed Countries and SAARC Chamber of Commerce and Industry (SCCI). A representative of SAARC Chamber of Commerce and Industry made a presentation giving the perspective of the private sector for promotion of intra-SAARC trade and economic cooperation. It also made recommendations for developing a road map for a long term vision of regional economic integration in SAARC and for its movement towards South Asian Economic Union.

2.1 Recognising delays in customs clearance procedures caused due to late transmission of original copies of specimen signatures and seals of officials authorized to sign SAPTA/SAFTA Certificates of Origin, the Committee on Economic Cooperation agreed to accept electronic copies of such documents in order to save time and to ensure that the consignments are not held up at the customs border points.

2.2 The Sixteenth Meeting of the Committee on Economic Cooperation will be hosted by in Nepal in 2014.

Agreement on South Asian Free Trade Area (SAFTA)

3. The SAFTA Agreement, signed in 2004, entered into force on 1 January 2006, and the Trade Liberalization Programme commenced from 1st July 2006.

3.1 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. The SCOE is expected to submit its report to SMC every six months. After the Seventeenth SAARC Summit, two Meetings of SAFTA COE and two Meetings of SMC have been held. The Seventh Meeting of the SAFTA COE and Sixth Meeting of SMC were hosted by Pakistan in February 2012 whereas the Eighth Meeting of the SAFTA COE and Seventh Meeting of SAFTA Ministerial Council were hosted by Sri Lanka in August 2013. A Special Meeting of SAFTA Committee of Experts on Non-Tariff Measures and Para-Tariff Measures was also held at the SAARC Secretariat, Kathmandu on 31 July – 1 August 2013 to focus attention on identification and elimination of NTMs/PTMs. These issues are now being examined by the Consultant conducting second phase Study on Regional Economic Integration.

3.2 The information on value of exports under SAFTA since the launching of the Trade Liberalisation Programme (TLP) is given below:-

Economic, Trade and Finance Division, SAARC Secretariat, Kathmandu Exports under SAFTA (July 2006 to June 2013) (as on 20 September 2013)							
US Dollars							
Period	Afghanistan	Bangladesh	India	Maldives	Pakistan	Sri Lanka	Total
July 2006 - December 2006	0.00	0.00	0.00	14,001.15	55,324.00	0.00	69,325.15
January 2007 - June 2007	0.00	4,423,071.02	0.00	0.00	212,053.65	0.00	4,635,124.67
July 2007 - December 2007	0.00	10,850,106.82	3,783,410.31	0.00	364,111.34	19,828.02	15,017,456.49
January 2008 - June 2008	0.00	54,139,271.71	6,900,229.05	0.00	2,412,444.20	7,098.50	63,459,043.46
July 2008 - December 2008	0.00	44,177,691.45	2,084,191.63	0.00	29,384,274.31	33,690.72	75,679,848.11
January 2009 - June 2009	0.00	72,165,917.02	31,582,775.91	0.00	14,059,934.17	176,452.56	117,985,079.66
July 2009 - December 2009	0.00	127,620,537.70	283,673,960.43	0.00	29,450,050.73	432,171.40	441,176,720.26
January 2010 - June 2010	0.00	86,226,413.91	276,933,455.74	0.00	18,856,722.06	442,934.00	382,459,525.71
July 2010 - December 2010	0.00	150,485,087.33	92,737,597.06	0.00	37,262,285.53	74,632.00	280,559,601.92
January 2011 - June 2011	14,770,442.10	172,182,455.94	175,773,868.15	0.00	19,451,567.80	74,609.00	382,252,942.99
July 2011 - December 2011	0.00		112,036,594.23	0.00	23,723,411.03	27,784.00	135,787,789.26
Jan 2012 - June 2012	56,287,131.46	257,998,074.73	342,980,545.04			147,348.00	657,413,099.23
July 2012 - December 2012		220,756,619.28				96,988.00	220,853,607.28
Jan 2013 - June 2013		142,930,849.58			0.00	1,021,106.26	143,951,955.84
Total	71,057,573.56	1,343,956,096.49	1,328,486,627.55	14,001.15	175,232,178.82	2,554,642.46	2,921,301,120.03

Note: No Exports under SAFTA from Bhutan and Nepal

3.3 The total cumulative exports under SAFTA since July 2006 have reached about US\$ 3 billion. Some figures from the Member States are still awaited. When these are received, then this figure is bound to go higher. With a view to enhancing trade under SAFTA, the SAFTA Committee of Experts has recommended that the tariff concessions and Rules of Origin provisions under SAFTA need to be made more attractive than those provided for under bilateral free trade agreements.

3.4 The Consultant conducting the second phase of the Study on Economic Integration has also been requested to examine the reasons for trade under SAFTA being lower than trade outside SAFTA and suggest ways and means for bringing trade taking place among the Member States outside SAFTA within the ambit of SAFTA.

3.5 The Draft Study on Economic Integration was presented by the Consultant at the SAARC-ADB Workshop on Studies on Trade, Economics and Finance held at the SAARC Secretariat, Kathmandu on 21-22 June 2012. The Final SAARC Study on Regional Economic Integration was presented at the SAARC-ADB Inception Workshop for the SAARC Study on Regional Economic Integration (Second Phase) and for the SAARC Study on “Development of a Regional Coordinated Surveillance Mechanism” held at the SAARC Secretariat, Kathmandu on 3-4 October 2013. The participants made chapter-wise observations which will be taken into account by the Consultant while conducting the Second Phase of the Study on Regional Economic Integration. The first draft of the Regional Economic Integration Study (Second Phase) will be presented to one-day Workshop to be held back-to-back with the Ninth Meeting of the SAFTA COE to be held in Bhutan.

3.6 The status of issuance of TLP Notification by the Member States as noted by the Ninth Meeting of the SAFTA Committee of Experts (Thimphu, Bhutan, 22-23 July 2014) is given below:

Member State	Status of TLP Customs Notification
Afghanistan	TLP commenced w.e.f. 7 August 2011 TLP Notification issued till the end of 2021
Bangladesh	TLP Notification for 2013 and 2014 will be issued by 15 August 2014.
Bhutan	Action taken till the end of TLP (vide notification No. MOF/TIS/SAC/58 dated 29 June 2006)
India	Customs Notifications No. 68/2012 dated 31 December 2012 concerning customs duty to be charged under SAFTA with effect from 1 January 2013.
Maldives	Notification containing SAFTA Customs Duty Rates for the year 2014 would be provided to the SAARC Secretariat by 30 August 2014.
Nepal	TLP Notification issued for the financial year 2013-14
Pakistan	TLP Notification issued till the end of 2013-2014. (vide SRO 1073(I)/2013 dated 27 December 2013).
Sri Lanka	National Imports Tariff Guide 2014 indicates SAFTA Rates for 2014.

3.7 India has already completed its TLP by reducing its tariff to 0% for LDCs under SAFTA with effect from 1.1.2008, one year ahead of the schedule. The other Non-Least Developed Countries i.e. Pakistan and Sri Lanka also completed their TLP for LDCs by bringing their customs tariff down in the range of 0 to 5 % as per agreed schedule.

Removal of Non-Tariff and Para-tariff Barriers

4. The SAFTA Committee of Experts at its First Meeting set up a Sub-Group on Non-Tariff Measures 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 SAFTA Committee of Experts.

4.1 As decided by the Sixth Meeting of the SAFTA Ministerial Council (Islamabad, 16 February 2012) a Special Meeting of the SAFTA Committee of Experts 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.

4.2 As mandated by the Seventh Meeting of the SAFTA Committee of Experts, the SAARC Chamber of Commerce and Industry (SCCI) was invited to the Meeting to make a presentation. Mr. Pradeep Kumar Shrestha, Vice President of SCCI from Nepal thanked the Meeting for the opportunity provided to the private sector to share its views on barriers affecting intra-SAARC trade. On behalf of SAARC Chamber of Commerce and Industry, Mr. R.B. Rauniar, SCCI Executive Committee Member from Nepal made a detailed presentation on “Non-Tariff Barriers in South Asia : The Challenges and Way Forward”.

4.3 The Special Meeting of the SAFTA Committee of Experts 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 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.

4.4 The Eighth Meeting of the SAFTA Committee of Experts (Colombo, 21-22 August 2013) considered the Report of the Special Meeting of the SAFTA COE on Non-Tariff Measures (NTMs) and Para-Tariff Measures (PTMs). It agreed that a Consultant may be appointed to examine the Notifications, Responses and Counter-Responses submitted by Bangladesh, India, Nepal, Pakistan and Sri Lanka. The Consultant may categorise various NTMs; identify whether they are compatible with WTO provisions or not; and make suggestions for removing or reducing them for smooth flow of intra-SAARC trade flows under SAFTA. The Eighth Meeting of the SAFTA COE also noted that under Article 7 (4) of SAFTA Agreement, the Member States are also to notify NTMs/PTMs being faced by their export products under SAFTA on an annual basis. It therefore recommended that the Member States may submit fresh Notifications on NTMs/PTMs which may also be provided to the Consultant by the Secretariat. The Consultant conducting the Second Phase of Study on Regional Economic Integration has been requested to examine all issues relating to NTMs/PTMs as well in his report.

Further Reduction in the Sensitive Lists under SAFTA

5. As approved by the Sixth Meeting of the SAFTA Ministerial Council, a Working Group has been established to further reduce the number of products in the Sensitive Lists under SAFTA.

5.1 The Second Meeting of the Working Group on Reduction in the Sensitive Lists under SAFTA (Phase-III) held at the SAARC Secretariat, Kathmandu on 30 July 2013 reviewed the progress of implementation of decisions relating to reduction in the Sensitive Lists as agreed during Phase-II. The Ninth Meeting of the SAFTA Committee of Experts (Thimphu, 22-23

July 2014) noted the current status of the number of products covered in the Sensitive Lists of Member States before and after the 20% or more reduction 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	The List will be sent by 15 September 2014
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)	The List will be sent by 15 December 2014
Pakistan	1169	936	Received
Sri Lanka	1042	837 (LDCs) 963 (NLDCs)	Received

5.2 The Phase-II reduction has already been implemented by all Member States..

5.3 The Working Group is also currently considering the proposal put forward by 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. The Member States are examining the proposal and their comments and alternative proposals, if any, will be considered by the Third Meeting of the Working Group on Reduction in the Sensitive Lists under SAFTA (Phase-III).

5.4 A Special SAARC Meeting of Customs and Commerce Authorities on Verification Mechanism relating to Rules of Origin under SAPTA and SAFTA will also be held at the SAARC Secretariat.

SAARC Agreement on Trade in Services

6. At the Sixteenth SAARC Summit, the SAARC Agreement on Trade in Services was signed. The Leaders expressed the hope that this will open up new vistas of trade cooperation and further deepen the integration of the regional economies. The Leaders called for the early conclusion of negotiations on the schedules of specific commitments under the Agreement. The Agreement has been ratified by all Member States and has entered into force with effect from 29 November 2012. So far ten Meetings of the Expert Group on SAARC Agreement on Trade in Services have been held and it has been agreed that at the

Eleventh Meeting, all Member States would table their final offer lists and the Schedules of Specific Commitments will also be finalised and adopted. The Eleventh Meeting of the Expert Group will finalise the Schedules of Specific Commitments.

6.1 With the financial and technical assistance of Asian Development Bank, a Study on Development of Institutional Framework for Data Collection on Trade in Services, including Capacity Building has been conducted as recommended by the Second Meeting of Heads of SAARC Statistical Organisations (Dhaka, 17 April 2008) and the Thirteenth Meeting of Committee on Economic Cooperation (Dhaka, 24-25 November 2007).

6.2 During the SAARC-ADB Workshop on Studies on Trade, Economics and Finance (SAARC Secretariat, Kathmandu, 21-22 June 2012), the Consultant presented the Draft Final Study on “Development of Institutional framework for Data Collection on Trade in Services, including capacity building”. The Workshop, inter-alia, recommended that as part of the Phase II of the Study, the Consultant may prepare a regional common schedule for SATIS negotiations in sectors like Tourism, Construction, Health, Education, Power and Telecommunication which may be submitted to the SAARC Secretariat by end-August for circulation to the Member Countries. It also recommended that in this endeavour the SAARC Secretariat may facilitate the work by the Consultant and ADB could hold a meeting with the Consultant and the National Experts in mid-August to expedite the preparation of the regional common schedule, given the paucity of time.

6.3 Accordingly, for the purpose of preparing a regional common schedule for SATIS negotiations, a SAARC-ADB Meeting of Country Experts on Trade in Services was held at the SAARC Secretariat, Kathmandu on 28-29 August 2012. The draft common schedule prepared taking into account the highest common denominator from the request and other lists of the Member States is being examined by the Member States.

Harmonisation of Standards

7. The Agreement on the Establishment of South Asian Regional Standards Organisation (SARSO) has now been ratified by all Member States and it has entered into force with effect from 25 August 2011. The SAARC Agreement on Multilateral Arrangement on Recognition of Conformity Assessment; and the SAARC Agreement on Implementation of the Regional Standards as finalised by the Inter-Governmental Meeting in Bangladesh on 13-14 March 2011, were signed during the Seventeenth SAARC Summit held in Addu, Maldives on 10-11 November 2011. These Agreements have so far been ratified by Bangladesh, Bhutan, India and Pakistan.

7.1 The First Meeting of the Governing Board of SARSO was held in Bangladesh on 14-15 December 2011. The Governing Board expressed satisfaction and appreciation that with the holding of Meetings of Sectoral Technical Committees the process has been started for harmonisation of standards of identified products such as sugar, biscuits, instant noodles, vegetable ghee, black tea, cement, steel tubes, structural steel and the identified Hessian and Jute tarpaulin fabric. It also approved the recommendation of the Second Meeting of Sectoral Technical Committee on Food and Agricultural Products (Dhaka, 12-13 December 2011) that all standards finalised by SARSO may have a distinct identity and may be known as SAARC Regional Standards (SARS).

7.2 The South Asian Regional Standards Organisation (SARSO), a SAARC Specialised Body, became operational in Dhaka with effect from 3rd April 2014. A decision to this effect was taken by the Second Meeting of Governing Board of South Asian Regional Standards Organisation (SARSO) held in Dhaka on 2-3 April 2014 under the Chairmanship of Mr. Phuntsho Wangdi, Director-General, Bhutan Standards Bureau and Member on the Governing Board from Bhutan. The Governing Board appointed Dr. Syed Humayun Kabir as the first Director General of SARSO for a period of three years; recommended the salary and allowances of Director-General, Professional Staff and General Services Staff of SARSO; and considered the interim Institutional Cost Budget prepared by the Director-General of SARSO for the period April – December 2014. Dr. Kabir assumed the charge of the office of Director General of SARSO with effect from 3rd April 2014. Mr. Uwe Miesner, Head of Technical Cooperation in Asia, German National Institute of Metrology (PTB) made a presentation on the status of activities held and proposed to be held under the SAARC-PTB MOU for strengthening quality infrastructure in the region.

7.3 The Governing Board also considered and approved the Report of the First Meeting of the SARSO Technical Management Board which was also held in Dhaka on 31 March – 1 April 2014. The Technical Management Board finalised its own Technical Rules and considered the Reports of the nine Sectoral Technical Committees which carried out the task of harmonisation of standards of identified products in the areas such as food and agricultural products; jute, textiles and leather; and building materials.

7.4 It was agreed that in addition to electric cables, the STC on Electrical, Electronics, Telecoms and IT will also take up the harmonisation task of Double Capped Fluorescent Lamp. It was also agreed that in addition to Toilet Soap, the STC on Chemical and Chemical Products will take up the harmonisation task of Shampoo. It emphasized that the attempts should be made to harmonise the standards of those products which are being actively traded or have the potential of being actively traded amongst the SAARC Member States.

7.5 The Third Meeting of the Sectoral Technical Committee on Food and Agricultural Products was hosted by Pakistan in Karachi on 2-3 April 2012 where further work on harmonisation of identified food products was undertaken.

7.6 The Second Meeting of Sectoral Technical Committee on Jute, Textiles and Leather was held in Dhaka, Bangladesh on 17-18 April 2013. The Meeting resumed discussion on harmonisation of standards of Hessian as prevailing in Bangladesh and India. It finalised the updated Comparative Study on Hessian. India agreed to prepare Draft SAARC Standard on “Hessian” which will be considered at the Third Meeting of the Sectoral Technical Committee. The Meeting also identified Cotton Drill as the product for harmonizing of standards and updated Comparative Chart on Textiles – Cotton Drill – Specifications. Bangladesh agreed to prepare Draft SAARC Standard on “Textiles – Cotton Drill – Specification” which will be considered at the Third Meeting of the Sectoral Technical Committee. It further discussed the Comparative Chart of Cotton Twill and updated the same. Bangladesh agreed to prepare Draft SAARC Standard on “Textiles – Cotton Twill – Specification” for consideration at the Third Meeting of the Sectoral Technical Committee. The Meeting also discussed Jute Twine and agreed to adopt Indian or Bangladesh standard as SAARC Standard. It welcomed the offer of India to prepare Draft SAARC Standard on “Jute Twine” for consideration of the Third Meeting of the Sectoral Technical Committee. In order to get first hand knowledge of manufacturing process and standards being observed in Bangladesh on jute, the participants visited Latif

Bawani Jute Mill located in Bemra, Dhaka. The Third Meeting of the Sectoral Technical Committee on Jute, Textiles and Leather was held in Colombo on 18-19 December 2013.

7.7 The Third Meeting of this Sectoral Technical Committee on Building Materials was held at the SAARC Secretariat, Kathmandu on 4-5 June 2013. The Meeting resumed its discussions on harmonizing the standards of (a) Cement; (b) Steel Tubes; (c) Structural Steel; (d) High strength deformed steel bars and wires for concrete reinforcement; (e) Steel wires used in pre-stressed concrete; (f) Ceramic Tiles; and (g) Method of testing of steel and steel tubes (such as tensile testing, flattening, bend test etc). It initiated discussion on harmonisation of Terminology Standards (IS-1956 Part II: 1976, Part III: 1975, Part IV: 1975 and Part VIII: 1976) – Glossary of Terms relating to Iron and Steel. A Template prepared by Sri Lanka to enable Member States to send their comments on standards was also discussed and finalised.

7.8 The following is the current status of harmonisation of identified products by the respective Sectoral Technical Committees under SARSO:

SARSO Sectoral Technical Committees (STCs)	Identified Products on which standards are being harmonised	Meetings held/to be held
STC on Food and Agricultural Products	1. Refined Sugar 2. Biscuits 3. Standards of Sugar-free Biscuits 4. Standards of Diet Biscuits 5. Standards of on Microbiological requirements for cream portion of filled biscuits 6. Instant Noodles 7. Black tea 8. Vanaspati/Banaspati (veg. ghee) 9. Skimmed Milk Powder 10. National/CODEX Standard for Hygienic condition	First Meeting at SAARC Secretariat on 24 August 2011 Second Meeting at Dhaka, Bangladesh on 12-13 December 2011. Third Meeting at Karachi, Pakistan on 2-3 April 2012. Fourth Meeting is scheduled to be held in India on 21-22 Sept 2014.
STC on Jute, Textile and Leather	1. Identified Hessian products 2. Jute Tarpaulin Fabric 2. Jute Bags for packing of various commodities 3. Jute twine 4. Jute Carpet backing Fabric 5. Jute yarn 6. Cotton Drill Fabric 7. Cotton Twill Fabric	First Meeting at the SAARC Secretariat, Kathmandu on 23-24 November 2011 Second Meeting in Dhaka on 17-18 April 2013. Third Meeting was held in Colombo on 18-19 Dec

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