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**SAARC AND SAFTA**

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South does not figure among the rich belts of international economic zones. South Asia inhabiting one-fifth of the humanity is the poorest belt of the world. The region covers only 3.3% of the world's land area and has less than 1% of the world's natural resources. The problem is compounded by a high rate of population growth and chronic food deficiencies in most of the countries. The countries of South Asia region have been beset with morebit inter-state relations and complex regional and geo-political environment. The consequences had been the transformation of South Asia into a 'region of mistrust' where mutual tension, misperception and occasional hostilities have taken precedence over the possibilities of meaningful positive interaction and co-operation. Under these circumstances the regional policy behavior of states tend to be determined by often directed against each other.

South Asian countries have over history passed through intense experience of cultural absorptions, political expansions and break-ups, social turmoil and tranquility and economic need and affluence. Being shaped by these complex, incompatible and at times, even antagonistic experiences, South Asian States and problems reflect a dynamic and tersistence co-existance of discord and understanding, competition and convergence, conflict and collaboration in their mutual interactions.

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Many analysts have not been able to grasp this mystique fully and have tended to point a negative picture of South Asian reality encompassing wars, tensions, misunderstanding, divergence and antagonisms. Though negative aspects appear to dominate in South Asia, there are positive tendencies and creative impulses which are also rooted in history. It is, therefore necessary to examine the roots of conflicts-as well as co-operated in South Asia in order not only to understand the past, comprehend the present, but also to project, and if possible, to influence the future in this regard.

The South Asian regional sub-system consists of Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka, Afghanistan. The subcontinent of India is a distinct geographical entity and consists of most of the South Asian States. Though Sri Lanka and Maldives are separated from the subcontinent by not too distant stretches of sea, they are tied to the South Asian system on other ground; a common civilizational heritage, religious and linguistic affinities. Past dominance by the British, either direct or indirect, provided yet another common experience conflict and tensions arose in South Asia over since the British departed, leaving many complicated when the apprehensions generated not only included the loading states of the region to opt for divergent paths.

Generally, at the macro level, the South Asian countries approach to global issues of economic and military nature on the basis of non-aligned and independent policies. The South Asian country had in the past and still has a more or less non-aligned and independent approach to super power rivalry and conflicts, the nuclear and conventional arms race between the great powers, the implications of North-South conflict, etc. But at the micro level regional discords and narrow national susceptibilities nourish divergences among the regional states. This suggests that global treat perceptions are subordinate to the intraregional and national concerns in the South Asian Region.

SAARC has also tried to accelerate the pace of economic group. South Asian Free Trade Area (SAFTA) leading subsequently towards a Customs Union, Common Market and Economic Union. In 1995 the Sixteenth session of the council of ministers (New Delhi, 18-19 December) agreed on the need to strive for the realization of SAFTA and to this end an Inter-Government Expert Group (IGEG) was set up in 1996 to identify the necessary steps for progressing to a free trade area. The Tenth SAARC Summit (Colombo, 29-31 July 1998) decided to set up a Committee of Experts (COE) to draft a comprehensive treaty framework for creating a free trade

area within the region, taking into consideration the asymmetries in development within the region and bearing in mind the need to fix realistic and achievable targets.

The Agreement on South Asian Free Trade Area (SAFTA), drafted by the COE, was signed on 6 January 2004 during the Twelfth SAARC Summit in Islamabad. The Agreement is to enter into force on 1 January 2006. Currently, the Sensitive Lists of products, Rules of Origin, Technical Assistance as well as a Mechanism for compensation of Revenue Loss for Least Developed Member States are under negotiation.

Under the TRADE Liberation Programme scheduled for completion in ten years by 2016, the customs duties on products from the region will be progressively reduced. However, under an early harvest programme for the Least Developed Member States, India, Pakistan and Sri Lanka are to bring down their customs duties to 0-5% by 1 January 2009 for the products from such Member States. The Least Developed Member States are expected to benefit from additional measures under the special and differential treatment accorded to them under the Agreement.

#### South Asian Economic Union

The Eleventh Summit (Kathmandu, 4-6 January 2002) provided further impetus to the regional economic cooperation to give effect to the shared aspirations for a more prosperous South Asia. At the Summit, the leaders agreed to accelerate cooperation in the core areas of trade, finance and investment to realize the goal of an integrated South Asian economy in a step-by-step manner. They also agreed to the vision of a phased and planned process eventually leading to a South Asian Economic Union. At the Twelfth SAARC Summit (Islamabad, 4-6 January 2004) the SAARC-FINANCE was given the responsibility to study and make recommendations on the early and eventual realization of a South Asian Economic Union (SAEU). It was also tasked with examining the concept of a South Asian Development Bank.

The Governments of the SAARC (South Asian Association for Regional Cooperation) Member States comprising 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".

Motivated by the commitment to strengthen intra-SAARC economic cooperation to maximize the realization of the region's potential for trade and development for the benefit of their people, in a spirit of mutual accommodation, with full respect for the principles of sovereign equality, independence and territorial integrity of all States;

Noting that the Agreement on SAARC Preferential Trading Arrangement (SAPTA) signed in Dhaka on the 11<sup>th</sup> of April 1993 provides for the adoption of various instruments of trade liberalization on a preferential basis;

Convinced that preferential trading arrangements among SAARC Member States will act as a stimulus to the strengthening of national and SAARC economic resilience, and the development of the national economies of the Contracting States by expanding investment and production opportunities, trade, and foreign exchange earnings as well as the development of economic and technological cooperation;

Aware that a number of regions are entering into such arrangements to enhance trade through the free movement of goods;

Recognizing that Least Developed Countries in the region need to be accorded special and differential treatment commensurate with their development needs; and Recognizing that it is necessary to progress beyond a preferential trading arrangement to move towards higher levels of trade and economic cooperation in the region by removing barriers to cross-border flow of goods;

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