

Five yrs on, SAFTA has little to promise

Experts demand review of the regional trade accord

REPUBLICA

KATHMANDU, Dec 18

South Asian leaders long promised to fight poverty and improve people's lives through South Asia Free Trade Area (SAFTA), but the accord after five years of its implementation has largely failed to spur due intra-regional trade growth, say experts.

Records show, eight member countries of South Asia carried out just \$687 million worth of trade in 2009 under SAFTA certificate of origin. In 2010, SAARC Secretariat anticipates the volume to touch US\$ 1 billion.

Nepal's trade under SAFTA still stands nil till date. This stands contrary to general belief that the accord

will at least help the country tap Pakistani and Bangladeshi market, where traders long complained of high tariffs negating Nepal's export potential.

"Nepal has pretty dismal picture to portray when it comes to trade under SAFTA," stated Jagadish Prasad Agrawal, chairman of Nimbus International.

Even the cumulative exports figure of all SAARC countries under SAFTA stands nowhere considering what regional leaders had projected.

"Clearly, it has to do with technical problems that lie within the accord itself," said Dr Sheel Kant Sharma, Secretary General of SAARC.

While the SAFTA came into force in 2005, countries were not required to open their markets for products in

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which other members of the region had export interest. This was one of the flaws in SAFTA.

On top of that, the countries continue to impose high non-tariff barriers, despite commitment of the leaders to eliminate those.

Says a report of Asian Development Bank, more than 86 percent of non-tariff barriers are restrictions imposed on ground of quality and

health related standards. These are restrictions put in place on an ad hoc basis and exporting countries are subjected to protracted standard certification process, something which adds cost, driving traders away.

This is second major weakness of SAFTA, said experts.

"With tariff barriers falling, countries are relying more on non-tariff barriers to close their markets. Unfortunately, SAFTA has not put in place any mechanism to deal with it," said Professor Mustafizure Rahman, executive director of Center for Policy Dialogue, Bangladesh.

Though SAFTA formed a committee of experts to recommend elimination of trade restrictive measures to facilitate intra-SAARC trade, the committee has neither managed

to garner any success nor met since October 2009.

"This is another fundamental weakness of SAFTA. Its rules neither specify timeline for implementation nor has a mechanism to enforce implementation. This must to corrected," said Dr Akmal Hussain, an economist from Pakistan.

Lack of border infrastructure and transport agreements to facilitate trade and movement of goods are major hindrances, added Dr Akmal, speaking at the Third South Asia Economic Summit that kicked off on Friday.

Given the situation, experts suggested the SAARC policymakers to review the SAFTA accord and overhaul its provisions, so that people could really witness economic integration and enjoy its benefits.