



SAARC Preferential Trading Arrangement (SAPTA)

Background:

The Agreement on SAARC Preferential Trading Arrangement (SAPTA) which envisages the creation of a Preferential Trading Area among the seven member states of the SAARC, namely Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka was signed in Dhaka in April 1993.

Rules of Origin:

Rules of origin is the criteria used for ascertaining the origin of a product. The rules are important in the context of ensuring that there is substantial transformation happening in the SAPTA country of export and the chances of diversion of 3rd party products is minimal.

To qualify for preference, products must:

- Fall within a description of products eligible for preference in the list of concessions of a SAPTA country of destination;
- Comply with SAPTA rules of origin. Comply with the consignment conditions specified by the SAPTA rules of origin.

Originating products

The key criteria for ensuring that products are originating in a country are

- i. Wholly obtained: this occurs in the case where all products and their inputs are originating in the exporting country.
- ii. Substantial transformation: for goods not wholly obtained, these criteria are applicable and could include various parameters like change in tariff classification (CTC), value addition, technical specifications etc.

Wholly Obtained:

The products wholly produced or obtained in the exporting participating state shall be eligible for preferential concessions

- i. raw or mineral products extracted from its soil, its water or its sea beds
- ii. agricultural products harvested there
- iii. animals born and raised there
- iv. products obtained from animals born or raised there
- v. products obtained by hunting or fishing conducted there;
- vi. products of sea fishing and other marine products taken from the high seas by its vessels
- vii. products processed and/or made on boards its factory ships " exclusively from products of sea fishing and from high seas by its vessel
- viii. used articles collected there, fit only for the recovery of raw materials
- ix. waste and scrap resulting from manufacturing operations conducted there
- x. goods produced there exclusively from the products mentioned above

Substantial Transformation:

The term used in SAPTA for substantial transformation is goods not wholly produced or obtained.

Under this, there is a general rule wherein worked on or processed as a result of which the total value of the materials, parts or produce originating from non-Participating States or of undetermined origin used does not exceed 60% of the f.o.b. value and not exceed 70% in case of Least Developed Contracting States of the products produced or obtained and the final process of manufacture is performed within the territory of the exporting Contracting State shall be eligible for preferential concessions.

This would effectively mean that the domestic value addition for exports by India, Maldives, Pakistan and Sri Lanka is 40% while for exports by Bangladesh, Bhutan and Nepal, it is 30%.

Cumulative rules of origin -

Products which comply with origin requirements and which are used by a Contracting State as input for a finished product eligible for preferential treatment by another Contracting State shall be considered as a product originating in the territory of the Contracting State where working or processing of the finished product has taken place provided that the aggregate content originating in the territory of the Contracting State is not less than 50% of its f.o.b. value and in case of Least Developed Contracting States the percentage would not be less than 40%

Wholly products	obtained	Not Wholly obtained products	
		General Rule	Cumulative Rule
		40% < DVA	50% < RAC

DVA = Domestic Value Addition
RAC = Regional Aggregate Content

The following shall in any event be considered as insufficient working or processing to confer the status of originating products, whether or not there is a change of heading:

- 1) operations to ensure the preservation of products in good condition during transport and storage (ventilation, spreading out, drying, chilling, placing in salt, Sulphur dioxide or other aqueous solutions, removal of damaged parts, and like operations).
- 2) simple operations consisting of removal of dust, sifting or screening, sorting, classifying, matching (including the making-up of sets of articles), washing, painting, cutting up;
- 3) (i) changes of packing and breaking up and assembly of consignments,
(ii) simple slicing, cutting and repacking or placing in bottles, flasks, bags, boxes, fixing on cards or boards, etc., and all other simple packing operations.
- 4) the affixing of marks, labels or other like distinguishing signs on products of their packaging;
- 5) simple mixing of products, whether or not of different kinds, where one or more components of the mixture do not meet the conditions laid down in these rules to enable them to be considered as originating products; and mere dilution with water or another substance that does not materially alter the characteristics of the product;
- 6) simple assembly of parts of products to constitute a complete product;
- 7) a combination of two or more operations specified in (1) to (6);

The products eligible for preferential concessions for SAPTA shall be supported by a 'Certificate of Origin' issued by an authority designated by the government of the exporting Contracting State and notified to the other Contracting States in accordance with the Certification Procedures

Agencies authorised to issue certificate of origin under SAPTA

There are 38 agencies authorised to issue certificate of origin under SAPTA. These are listed in Appendix 2D of the Foreign Trade Policy.

Noida SEZ is also an authorised agency for issuing certificates of origin.

CERTIFICATE OF ORIGIN

1. Goods consigned from (exporters' business name, address, country)			Reference No. SAARC PREFERENTIAL TRADING ARRANGEMENT (SAPTA) (Combined declaration and certification Issued in..... (Country) see notes overleaf		
2. Goods consigned to (consignee's name, address, country)					
3. Means of transport and route (as far as known)			4. For Official use		
5. Tariff item number	6. Marks and numbers of packages	7. Number and kind of packages description of goods	8. Origin criterion (see notes overleaf)	9. Gross weight or other quantity	9. Number and date of invoices
10. Declaration by the exporter: The undersigned hereby declares that the above details and statements are correct: that all the goods were produced in (Country) and that they comply with the origin requirements specified for those goods in SAPTA for goods exported to (importing Country) Place and date, signature of authorised signatory			12. Certificate It is hereby certified on the basis of control carried out, that the declaration by the exporter is correct. Place and date, signature of authorised signatory		