Article - 1
Definitions

For the purpose of this Agreement:

(1) **"Least Developed Country"** means a country designated as such by the United Nations.

(2) **"Contracting State"** means any Member State of the South Asian Association for Regional Cooperation (SAARC) which has entered into this Agreement.

(3) **"Serious injury"** means significant damage to domestic producers, of like or similar products resulting from a substantial increase of preferential imports in situations which cause substantial losses in terms of earnings, production or employment unsustainable in the short term. The examination of the impact on the domestic industry concerned shall also include an evaluation of other relevant economic factors and indices having a bearing on the state of the domestic industry of that product.

(4) **"Threat of serious injury"** means a situation in which a substantial increase of preferential imports is of a nature to cause "serious injury" to domestic producers, and that such injury, although not yet existing, is clearly imminent. A determination of threat of serious injury shall be based on facts and not on mere allegation, conjecture, or remote or hypothetical possibility.

(5) **"Critical circumstances"** means the emergence of an exceptional situation where massive preferential imports are causing or threatening to cause "serious injury" difficult to repair and which calls for immediate action.

(6) **"Sectoral basis"** means agreements amongst Contracting States regarding the removal or reduction of tariff, non-tariff and para-tariff barriers as well as other trade promotion or cooperative measures for specified products or groups of products closely related in end-use or in production.

(7) **"Direct trade measures"** means measures conducive to promoting mutual trade of Contracting States such as long and medium-term contracts containing import and supply commitments in respect of specific products, buy-back arrangements, state trading operations, and government and public procurement.

(8) **"Tariffs"** means customs duties included in the national tariff schedules of the Contracting States.

(9) **"Para-tariffs"** means border charges and fees, other than "tariffs", on foreign trade

transactions of a tariff-like effect which are levied solely on imports, but not those indirect taxes and charges, which are levied in the same manner on like domestic products. Import charges corresponding to specific services rendered are not considered as para-tariff measures.

(10) **"Non-tariffs"** means any measure, regulation, or practice, other than "tariffs" and "para-tariffs", the effect of which is to restrict imports, or to significantly distort trade.

(11) **"Products"** means all products including manufactures and commodities in their raw, semi-processed and processed forms.

Article - 2
Establishment and Aims

1. By the present Agreement, the Contracting States establish the SAARC Preferential Trading Arrangement (SAPTA) to promote and sustain mutual trade and the economic cooperation among the Contracting States, through exchanging concessions in accordance with this Agreement.

2. SAPTA will be governed by the provisions of this Agreement and also by the rules, regulations, decisions, understandings and protocols to be agreed upon within its framework by the Contracting States.

Article - 3
Principles

SAPTA shall be governed in accordance with the following principles:-

(a) SAPTA shall be based and applied on the principles of overall reciprocity and mutuality of advantages in such a way as to benefit equitably all Contracting States, taking into account their respective levels of economic and industrial development, the pattern of their external trade, trade and tariff policies and systems;

(b) SAPTA shall be negotiated step by step, improved and extended in successive stages with periodic reviews;

(c) The special needs of the Least Developed Contracting States shall be clearly recognised and concrete preferential measures in their favour should be agreed upon;

(d) SAPTA shall include all products, manufactures and commodities in their raw, semi-processed and processed forms.