

# FACULTY OF JURIDICAL SCIENCES

# Lecture-31



## **The objective of the South Asian Free Trade Area**

The primary objective of the agreement is to promote competition in the region while providing proper benefits to the countries involved. The agreement will benefit the people of South Asia by bringing transparency and integrity among the nations by reducing tariff and trade barriers.

Ultimately it establishes a robust framework for regional cooperation

The instruments to help fulfill these objectives are as follows:

1. Trade Liberalization Programme
2. Rules of origin
3. Institutional Arrangements
4. Consultations and Dispute Settlement Procedures
5. Safeguard Measures
6. Any other instrument that may be agreed upon.

## **Benefits and Concerns regarding SAFTA**

The South Asian Free Trade Area agreement could boost foreign investment in SAARC Nations provided such investments don't harm the domestic industries of member-nations.

The World Bank in its reports has shown that nations who have been involved in Free Trade Agreements have had higher instances of economic growth compared to countries that were not.

The European Union trade bloc, for instance, led to the formation of the single European market and substantial restructuring of industry on a pan-European basis. The EU also enabled member-countries to exploit economies of scale, scope and specialization.

The underlying concern is that certain items can be rerouted through the nations involved in SAFTA. One example is the Palm Oil trade in which India had restricted its import from Malaysia. But Malaysia's had apparently circumvented this loophole by rerouting their trade through other member nations of SAARC.