

## Comparison between SAARC<sup>1</sup> and NAFTA<sup>2</sup>

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### Abstract

*The recent theories of growth<sup>3</sup> highlighted the relation between economic integration and growth adding the technology factor. Economic integration brings new opportunities for economies by providing door of entrance to worldwide pool of technology. The objective of the study is to examine economic integration among seven SAARC member countries including Pakistan, India, Bangladesh, Sri Lanka, Nepal, Maldives and Bhutan in comparison with three NAFTA countries USA, Canada and Mexico; rather this research is an attempt to combine the existing theory and techniques to get the most on SAARC and NAFTA countries prospects and their limitations. NAFTA countries are discussed in this research as a model to follow by SAARC nations. The main focus of the research is to analyze the structure and relationship of SAARC countries using the data from published sources. The emphasis is more exploratory than diagnostic and; therefore, the results are stated so as to let the reader derive his own conclusions, however essential information of the result is provided.*

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<sup>1</sup> South Asian association for regional cooperation

<sup>2</sup> North American Free Trade Agreement

<sup>3</sup> James E. Anderson (2008). "International Trade Theory," The New Palgrave Dictionary of Economics, 2nd Edition. Abstract.

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## Introduction

Trade liberalization in South Asia is encouraged through economic integration among Pakistan, Bangladesh, India, Bhutan, the Maldives, Sri Lanka and Nepal. These countries are the members of SAARC (South Asian Association for Regional Cooperation). Although Afghanistan was added as new member on November 13, 2005, the main focus of the paper remains on other seven members. The first person who observed the impact of regional groupings on the welfare was Jacob Viner (1950)<sup>4</sup>. He introduced the concepts of trade creation and trade diversion by assuming that elasticity of demand and supply are zero. Consequently Meade<sup>5</sup> (1955) released the assumption of zero price elasticity of demand. Later on Lipsey<sup>6</sup> (1957) also released zero supply elasticity as well. The main essence of these researches is that regional integration would promote welfare only if trade creation and trade expansion is more than the trade diversion and vice-versa.

The outcome of the study produced by Viner, Meade and Lipsey has been stationary and they believed that dynamic gains could be more powerful. Though, the estimations and measurement of these dynamic gains are again debatable. (See Bhagwati<sup>7</sup> (1993), Helpman (1995), Baldwin and Venables (1995) and Srinivasan (1997).

Vamvakidis<sup>8</sup> (1998) focus on the fact that growth is effected by regional trade agreements in the early stages of his research. He proved with the help of empirical evidences that the speed of growth increases significantly if small and large economies form these types of agreements. Another research was done by Cappelin (2000) which took the case of EU as an example and proved that the performance of EU was improved due to the financial assistance and regional integration factors. This helped to enhance growth in deprived areas and brought equal distribution of resources in Europe. If a country becomes the member of some regional group Berthelon<sup>9</sup> (2004) investigates a new determinant of regional integration. He said that there would be differentiated effects depending upon the size of the partners if integration takes place in such a manner that a country becomes the member of some regional group. Results showed that regional integration effected economic growth in a positive way. Moreover he investigates that North-North agreements are having considerable effects on growths while South-South agreements are having uncertain effects depending on the nature of economy using them, additionally no understandable conclusions can be drawn in the case of North-South agreements.

The idea that economic integration especially in trade will bring increase in economic growth rate of all the member countries mainly because of the spatial agglomeration of economic activities was presented by Martin and Ottaviano (1996). According to the endogenous growth theory the public policies are considered important source to determine the growth rates in the long run. The marginal product of capital owned by

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<sup>4</sup> The customs union issue 1950.

<sup>5</sup> Theory of customs union 1955-121 pages North Holland Publications.

<sup>6</sup> Lipsey, R.G. (1957), "The Theory of Customs Union: Trade Diversion and Welfare", JSTOR The Economic Journal vol 81 No.323, Sep,1971

<sup>7</sup> Bhagwati 1993:vol 6 Cheltenham, U.K Northampton, Mass Elgar.

<sup>8</sup> World economic review, May 1998, 12(2):251-70

<sup>9</sup> World bank, policy research working papers series:3293 (2004)

private sector can be increase by increasing the public sector infrastructure but it requires that we use public sector infrastructure as an input the production function. This will bring boost in economic growth and capital accumulation (Barro, 1990). If we follow neoclassical structure then it may accelerate the convergence process as the marginal product of private capital increase with the provision of public capital. In the light of the research available “economic geography” (Krugman, 1991; Venables, 1996) the relation between geography and the factors that affect is not linear and owing to the strong emphasis put by regional policies on the financing of public infrastructure, their effect also works through an effect on transaction cost (Martin, 1997).

Nowadays the idea of regional integration is becoming very famous; there are many examples of successful regional economic integrations. With the passage of time these regional trading blocs have expanded all over the world and become more organized and meaningful. From the time the SAARC incepted, this organization could not bring significant change and improvement in trade expansion and in relationship among SAARC countries. It is evident from the fact that entire trade among SAARC members was not more than about 3% at the time of establishment of SAARC and even today it is around 5% (The newspaper Nations, Lahore, Feb 10, 2012) continued to be very little.

The majority of the members of SAARC are relying hardly on the export and production of any main supplies or commodities for the economic growth. The export of these main supplies or commodities is the main factor which controls foremost portion of their global business. These countries imports are inelastic because even their export sector cannot be flourished without imports of machinery, tools, equipments and sometime raw materials are also included in that list. In addition to export sector other sectors dependence on imports is also very significant. This research focuses on the trade model of SAARC countries using various tools to evaluate their trade outlook.

SAARC is the organization which promotes peace, trade and development in this region. The entire process of trade liberalization in South Asia is based on regional trade agreements. SAARC came into being in 1985 so regional cooperation in this area has completed almost twenty eight years of its existence. During this period two agreements of trade liberalization program are successfully implemented.

First, SAPTA (South Asian Preferential Trading Agreement) in 1993 during the seventh SAARC summit, it was the beginning of strong and healthy trade relations among member countries. Second, the member countries have envisaged the formation of the (South Asian Free Trading Agreement) SAFTA, which was formed in 2001 enabling the dismantling of all barriers to inter regional trade and it was effectively enforced from January 2006.

The SAFTA implies elimination of all type of trade barriers because high tariff in the sub- region encourages the use of informal channels and SAFTA would induce a shift of illegal trade flows from the legal trade channels. Increased in the regional trade is possible only through enhancing trade cooperation among member economies. The establishment of SAFTA is the result of such cooperation through which, member countries decided to reduce tariffs and removed other barriers trade to boost up their trade with each other.

**Table 1**  
**SAARC intra-regional trade**

(US\$ millions)

Year	Intra-SAARC trade	SAARC world trade	Percentage
Pre-SAPTA period			
1986	1,055	44,042	2.4
1987	1,146	49,480	2.3
1988	1,732	52,669	3.3
1989	1,723	58,595	2.9
1990	1,590	65,490	2.4
1991	1,914	63,435	3.0
1992	2,488	71,149	3.5
1993	2,458	72,211	3.4
Post-SAPTA period			
1994	2,937	82,839	3.5
1995	4,263	103,878	4.1
1996	4,928	110,962	4.4
1997	4,447	115,370	3.9
1998	6,001	123,144	4.9
1999	5,511	131,152	4.2
2000	5,884	146,924	4.0
2001	6,537	143,443	4.6

Source: IMF (International Monetary Fund) 1997, 2002 Direction of Trade Statistics Yearbook

## NAFTA

The final provisions of the North American Free Trade Agreement (NAFTA) were fully implemented on January 1, 2008. NAFTA is one of the most successful trade agreements in history and has contributed in significant increases in agricultural trade and investment between the United States, Canada and Mexico and has benefited farmers, ranchers and consumers throughout North America.<sup>10</sup>

The main purpose of such type of trade agreement was to abolish all kinds of restrictions from the trade of member countries. In this regard, almost 50 percent of tariffs were removed from the trade of US and Mexico and rest of the tariffs and non tariff restrictions were rescheduled for 14 years of time period which lasted till 1st January 2008. Mexico imposed overall 10% average tariff on US items in the year 1993 which is 5 percent more than the tariff US charged from Mexican items. After the formation of NAFTA, the average tariff of Mexico was decreased and moved below 2%.

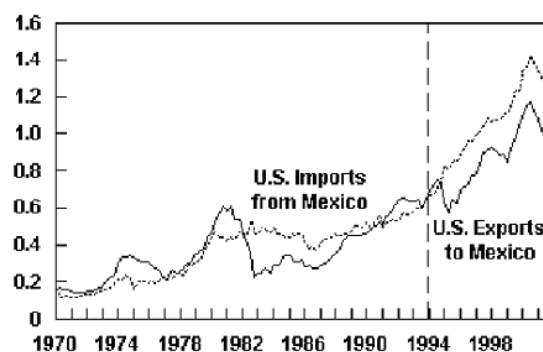
The effects of NAFTA, both positive and negative, have been quantified by several economists. On one hand, NAFTA helped Mexico in terms of reducing poverty rates as well as increasing real income (as food inflation reduced) and has proven itself beneficial

<sup>10</sup> Journal of Economic Perspectives, Volume 15, Number 1, Winter 2001, pp. 125–144.

for the country. It also helped Mexico overcome 1994–1995 crises. On the other hand, NAFTA also benefited three member countries' entrepreneurs and elites, but it did not benefit the poor Mexican farmers due to fall in the prices of food items as a result of comparative US imported food stuff. Some critics also give an argument that NAFTA has contributed in raising levels of inequality in both the participating countries; U.S.A and Mexico. A group of experts<sup>11</sup> suggest that NAFTA has neither worked fast enough to produce an economic convergence nor to substantially reduce poverty rates. Initially Americans disliked the agreement and to make it popular few suggestions were made such as heavy investments in the areas of education promotion and infrastructure building for long run development purposes of all the member countries.

There was an approximate 10 percent rise in trade during 1994; it was the year NAFTA took effect. In the year 1995, United States exports decreased by 11% but imports increased by almost 25% from Mexico. In the end of 1995 Mexican economy started reviving from recession and again exports of United States started improving, however, this could not be the criteria to judge the performance of NAFTA. Critics argued that the success of NAFTA was replaced by the crisis of devaluation of pesos in 1995.

## Overall impact of NAFTA



Source: Congressional Budget Office

<sup>11</sup> Lederman, Daniel, William Maloney, and Luis Servén. 2005. Lessons from NAFTA for Latin America and the Caribbean. Palo Alto, CA: Stanford University Press.

U.S. International Trade Commission. 1997. The Impact of the North American Free Trade Agreement on the U.S. Economy and Industries: A Three-Year Review. Publication 3045, Washington, DC

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During 1994, trade of United States increased significantly with non member countries of NAFTA then member countries in the last 6 years. During 1994, Mexican and US real GDP rose to 5.2% and 3.5% respectively and the value of Mexican currency was at its peak at that time so these factors promoted the exports of US with Mexico. There are other factors also involved which affected the trade between these two countries. If we only want to concentrate on NAFTAs effects, we must know the position of economic indicators with the trade of other countries.

According to the information taken from the source of custom basis statistics of Canada, 1994(diagrams available in the end of the thesis) clearly expressed the total impact of NAFTA over the trade of Mexico and US. It is also evident that NAFTA gave boost to the exports of United States and its growth rate increased up to 16.3% per annum more than that decided in the agreement. The collective results were reflects in terms of tremendous increase in exports which is about \$21.3 billion higher than the time before the agreement. As far as imports of United States are concerned after NAFTA they improved significantly which is on average 16.2% more per annum after this agreement and collective impact showed the rise of \$20.5 billion. On the other hand US imports were very little from Mexico. However, it can be strongly argued that trade with NAFTA is different from the trade without NAFTA.

### **Trade Share of NAFTA Countries before and after Treaty Inspection**

It could be clearly noticed that after the agreement, US trade significantly increased with Mexico which is raised from 27.8% to 29.4% during 1993 and 1996. Similarly, another boost in trade was experienced by Canada as its trade enhanced from 77.3% to 80.0% with North America. On the other hand, trade between Mexico and North America was improved only from 71% to 71.6% which was very minute change. In addition to that the trade of NAFTA countries with other countries of the globe improved significantly from 1993 to 1996 time period as shown in the figures below; trade within North America has increased relative to trade with the rest of the world, but the increase is slight. Trade with countries outside North America also grew after NAFTA's implementation. The share of total trade between the NAFTA countries slightly increased, suggesting that if there are any trade diversions, they should be minute. The share of total trade between North American countries increased because trade within North America grew faster than trade with countries outside of North America.

### **The Impact of Free Trade**

Another perspective related to free trade argued that NAFTA benefits are based on theoretical concepts while actual situation is entirely different. To establish free trade with US simply means discrimination of Mexican producers, because US corn producers are getting subsidies equal to \$18 billion from the government while Mexican farmers in the year 2002 received \$9 billion amount of funds under Agricultural support programs. So, it is very difficult for Mexican farmers to compete with low prices of US which are the biggest exporter and producer of corn and determine the prices of corn in the world market.

In this way the free trade goes highly in favor of United States and it leads to increase in Mexican imports significantly. Therefore, the subsidies were given to US farmers and as a result it sets low prices of corn in the international market and changed the concept of gains of trade through comparative advantage and actually it eliminates the competition from the market.

The entire problem occurred because tariff-free quotas were not implemented as suggested by NAFTA agreement. Mexican government was allowed to impose restriction on its trade till 2008 so that protection could be given to local producers to prepare themselves against foreign competition. In Mexico 2.5 million metric tons of corn quota was fixed and it was supposed to increase 3 percent annually (beginning from 1995 till 2008).

However, the strategy of the government of Mexico was entirely different in this regard. The government reduced the time of phasing out corn tariff from 15 years to 30 months and completely neglected the benefits of farmers. On the other hand, supported program for farmers was also reduced by the Mexican government which further worsens the condition of poor corn farmers.

The loss of revenue resulted because of inefficiency of government to impose TRQ (Tariff Rate Quotas) for corn which would expect to generate more than \$2 billion worth of revenue as expressed in Table 2.

**Table 2: Foregone Fiscal Revenue from Corn Imports**

Year	Tariff Free Quota (1,000 tons)	Volume over Quota (1,000 tons)	Total Imports (1,000 Tons)	Ad valorem Tariff after NAFTA	Price Per ton (U.S. \$)	Foregone Fiscal Revenue (U.S. \$)
1994	2,500	217	2,717	206%	150	\$67,053,000
1995	2,575	NA	2,400	197%	160	NA
1996	2,652	3,248	5,900	189%	220	\$1,350,518,400
1997	2,731	340	3,071	180%	180	\$110,160,000
1998	2,813	2,215	5,028	172%	170	\$647,845,241
Total Foregone Revenue--Related to Corn						\$2,175,576,641

Source: Final estimate SAGAR--quoted in Nodal, 2000

The large farmers tried to compete with the foreign producers after trade liberalization but the small farmers were badly affected because they did not have enough resources, required to establish the competition and they were left with the option of migration or unemployment. So, before applying any policy of trade liberalization and economic integration, we must take care of these types of problems as experienced by Mexican farmers.

Despite the fact that the US has been experiencing increasing trade deficit from last twenty years, after implementation of NAFTA in 1994 the US trade deficit has further increased significantly. At this stage, it is important to differentiate between domestic export and foreign export which simply refer to those products which are produced by other countries and then send to US and then US export them to other countries. Foreign exports cover 11.6% of total U.S. exports to Canada and Mexico in the year 2002. Due to the fact that job opportunities in US are created by only domestic exports, therefore, in this study, our focus is on domestic exports. The determinant showing net effects of trade is nothing but the difference between total and net exports. Though the domestic export of United States to the members of NAFTA show significant rise in real economic growth which is 41 percent to Canada and 95.2 percent to Mexico, growth in imports is 61.1 percent from Canada and 195.3% from Mexico which tremendously exceed export growth. So, NAFTA resulted in job losses in all 50 states and the District of Columbia, Through September 2003, the U.S. goods trade deficit with Mexico and Canada has



increased 12% over the same period last year (U.S. Census Bureau 2003a). Job losses for the remainder are likely to grow at a similar rate.

### **Comparison between SAARC and NAFTA**

SAARC was established in 1985 to solve the problem of South Asian countries. The members of SAARC are Pakistan, India, Sri Lanka, Bangladesh, Bhutan, Nepal, Maldives & Afghanistan. SAARC economics have been pursuing liberalization & looking towards greater Asia through Bilateral FTAs (Free trade agreements). SAARC nations have been looking outwards for greater flow of trade, commerce & investment across Asia.

NAFTA is a trilateral free trade deal that came into force in Jan 1994, signed by Democratic president, Bill Clinton. NAFTA includes USA, Mexico & Canada. There are numerous indications that NAFTA has achieved many of the intended trade & economic benefits as well as incurred adjustment cost. NAFTA has had an uneven effect on different parts of the countries & it has not yet been a complete solution to the problem of poverty & unemployment.

### **SAARC**

1. After the establishment of SAARC the intra regional merchandise exports in 2005 was 6.2 as (% share of each region's total exports).
2. The regional shares in commercial services exports in 2005 in Asia were 21%.
3. A regional share in world Merchandise exports in Asia was 28%.
4. Low economic interaction among SAARC MEMBERS even after accounting for in formal trade, total intra regional trade constitutes less than 10% of south Asia's total external trade & direct investment among SAARC countries is negligible.
5. South Asia is a region of poverty with almost 50% of the people living under the poverty line. Massive anti-poverty programs are place in all SAARC countries.

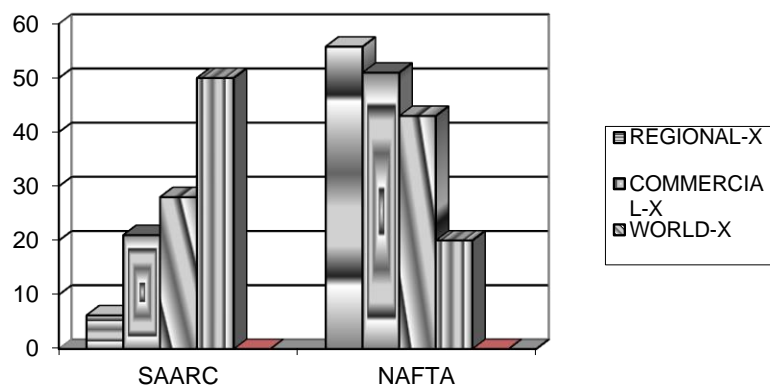
### **NAFTA**

1. After the establishment of NAFTA the intra regional merchandise exports in 2005 was 55.8%.
2. The regional shares in commercial services exports in 2005 in North America were 51%.
3. A regional share in world Merchandise exports in North America was 43%.
4. The USTR adds that regional business investment in the US raised 117% b/w 1993&2007 as compare to 45% rise in 14<sup>th</sup> years prior. Trade with NAFTA PARTNERS now accounts for more than 80% of Canadian & Mexican trade and more than a third of US trade.

5. NAFTA deal has expended US Gross Domestic Product (GDP) very slightly and had a similar effect on both positive on the Canadian & Mexico countries.

COMPARISION B/W SAARC & NAFTA

ON BASE YEAR 2005



ON BASE

YEAR 2005

NO:	INDICATORS	SAARC	NAFTA
1:	Regional merchandise export.	6.2%	55.8%
2:	The regional shares in commercial services export.	21%	51%
3:	Regional share in world merchandise export.	28%	43%
4:	The people living under the poverty line.	50%	20%
5:	GDP	\$4,074,031million	\$16,792trillion
6:	Total inter regional trade.	<10%	>80%

Data Source: International Trade Statistics 2006, WTO

FREE trade agreements (FTAs) are becoming common and popular trend in the world, however, if in that connection we analyze SAARC, its performance is not as fast and effective as NAFTA and other trading blocs.

The main weakness of SAARC countries is that none of them is financially strong and they all are having dearth of capital stock which resulted in their poor performance. Besides that, almost all the countries are industrially backward except India which recently shows remarkable performance and Pakistan comes after it. Other countries of this group are far from industrial development required in this modern world. Nearly all countries of SAARC are fully or partially relying on foreign advanced nations for their capital, technological knowhow and accessibility to markets. In addition to that, large portion of exports of these countries based on primary products whose prices are very low in international market so they are not getting due advantage. However, it is also true that few countries like India and Pakistan, sometimes, prove their strength on international level and compete with highly developed countries in readymade garments and other type of labor intensive products. It is obvious that due to these reasons it is very difficult for SAARC countries to establish a separate trading bloc like NAFTA.

The comparison between NAFTA & SAARC through different sector of economy is as follows.

### **Agriculture**

In NAFTA agriculture has always been considered different and unique area that is why, instead of having single joint agreement of all three countries of NAFTA; three different types of agreements were established between any two countries of NAFTA. The Canada-U.S agreement contains significant restrictions and tariff quotas on agricultural products (mainly sugar, dairy, and poultry products), whereas the Mexico-U.S pact allows for a wider liberalization within a framework of phase-out periods (It was the first North-South FTA on agriculture to be signed).

The agreement between US and Mexico related to agriculture sector was disputed because Mexico was not ready to spend money for the improvement of infrastructure as per requirement to have healthy competition. Mexico's agricultural exports increased by 9.4 percent annually during 1994 and 2001 while imports increased by only 6.9 percent per year. In a study published in the August 2008 issue of the American Journal of Agricultural Economics, NAFTA has increased U.S. agricultural exports to Mexico and Canada even though most of this increase occurred a decade after its ratification.

In SAARC nations almost two thirds of the population depends on agriculture for their livelihood. Access to reliable water supplies is of fundamental importance for agricultural productivity but the resources are increasingly under threat. Flood mitigation, water quality, pollution, surface irrigation system management and ecosystem nature of services have impacts on livelihoods. Member states have been exchanging Rice (Millet); Wheat; Oilseeds; Horticulture (Potato) Vegetables and Fruits; Fisheries; Forestry; Transfer of Technology; Livestock (Animal Health and Production); Farm Machinery

and Implements; Post Harvest Technology; Agriculture Economics & Policies and Soils. Progress has been made towards establishing a network on Amelioration of Problem Soils.

The SAARC region is the most vulnerable to climate change that is seriously affecting agricultural production, crippling our vital infrastructures, diminishing natural resources and limiting development option for the future.

## **Industry**

From NAFTA nations, Maquiladoras (Mexican factories which take in imported raw material and produce goods for export) have become the attraction of trade in Mexico. Hufbauer's (2005) book shows that income in the maquiladora sector has increased by 15.5% since the implementation of NAFTA in 1994.

Among SAARC nations economic integration is very slow because of political tensions between India & Pakistan. SAARC EPG report argues for creating a SAARC investment area. Investment integration can facilitate industrial restructuring to assist in building supply capabilities in relatively smaller & lesser developed economies. By facilitating development of supply capabilities in smaller & lesser developed countries in the regional groupings, the industrial restructuring leads to balanced regional development.

## **Environment**

Environmental policy was not given due importance because of trade liberalization, measures for investment protection, and measures against non-tariff trade barriers. The most serious overall increases in pollution due to NAFTA were found in the base metals sector, the Mexican petroleum sector, and the transportation equipment sector in the United States and Mexico, but not in Canada.

The SAARC region is characterized by varied land forms and agro-climatic conditions. The region is also characterized by countries having long coastlines and low coasts with large deltas and polders and extensive wetlands and mangrove forests. A range of climatic zones exist, extending from freezing cold in the high mountains, to very hot temperatures in the plateau regions and to the more moderate climate of the tropical areas.

Environmental legislation in SAARC countries is in a state of evolution, with several countries having enacted environmental laws, many of which have been amended to reflect changing needs and the experience of implementation. Environmental protection and sustainable use of natural resources is doubly important in the SAARC region because of its high level of poverty. The vast majority of the region's population depends directly on the environment to meet its many daily survival needs such as -- energy for cooking food, fodder, water, building materials and herbal medicines, etc. SAARC Meteorological Research Centre (SMRC), established in Dhaka, was inaugurated on 2nd January in the year 1995. The Centre concentrates primarily on the research aspects of weather forecasting and monitoring. The research areas include weather prediction and compiling climatological information.

## **Movement of People**

In the light of available statistics of immigrants in the year 2006 by the Homeland security department, total 74098 persons entered in the United States through NAFTA for short term jobs out of which 9,247 were the citizens of Mexico and 64,633 were having citizenship of Canada. Moreover, under the treaty of national's dependent 17,321, family members of these immigrants were also admitted to United States.

Government of Canada calculated that 24,830 persons of United States and 15,219 persons of Mexico were present in Canada till December 1, 2006 as "foreign workers". These numbers include both type of persons those who entered due to the NAFTA and those who have entered because of other provision of the Canadian immigration law. New entries of foreign workers in 2006 were 16,841 (U.S. citizens) and 13,933 (Mexicans).

The SAARC nations have low economic integration; one of the reasons of that low economic integration is non mobility of persons or non mobility of labor force among the member countries. Non mobility of labor force between the member nations is because of political tensions between India & Pakistan & also because of the law and order situation of the member nations of the SAARC.

As compare to NAFTA, there, is no free movement of labor force among the SAARC nations. So, there should be a sharing of knowledge and experiences regarding strategies and mechanisms for the extension of social security among the member countries so that there is an improvement in different sectors of economy of SAARC nations.

## **Women in Development**

The NAFTA model of Maquiladoras and Export Processing Zones (EPZs) brings disparity for women and locks in a model of non-enforcement of women's rights. Under Export Processing Zones, women have not been given labor rights, human rights and environmental protection. In addition to that they bear the loss of low income and independence. Despite the fact that 90% of the 27 million work forces in EPZs worldwide are women and they are link with garment assembling, electronics and export of other products, in Mexico out of 1.3 million work force 60% are young women in between the age of 16 and 25 and 4000 female Maquiladoras are getting 5\$ per day.

NAFTA is used by the Mexican government to challenge the equality of women's rights. On one hand, NAFTA brings remarkable boost in production while on the other hand, health and stress related problems are also enhanced. The National Administrative Offices were established in every member country of NAFTA to solve the problems resulted due to NAFTA's labor "side agreements". Instead of raising the standard of living for Mexican women and their families, the NAFTA model has resulted in lowering wages, greater inequality, job insecurity, and poverty. Under NAFTA side agreement, the North American Agreement on Labor Cooperation (NAALC) is not effective to ensure adherence to Mexican labor laws in the Maquiladoras. As NAFTA is being implemented, the percentage of poor in Mexican population has been increased from 66% to 70%.

SAARC Women's Journals on specific themes relating to women in development have been published to coincide with important events like SAARC Summits. To emphasize the issue of gender disparity and to improve the well being of a female child in South Asia, SAARC Plan of Action has been established and is now in the process of implementation

Establishment of Women's Cell in the SAARC Secretariat is a great achievement. This cell is going to provide information and data related to women issues in South Asia and establish a forum to increase coordination among the member countries.

U.S. imports and exports with Canada and Mexico have increased at higher rates than that with non-NAFTA countries. From 1993 to 2007, trade among the NAFTA nations was more than tripled, from \$297 billion to \$930 billion. Canada and Mexico accounted for 37% of the total growth of U.S. agricultural exports since 1993. Moreover, the share of total U.S. agricultural exports destined for Canada or Mexico has grown from 22% in 1993 to 30% in 2007.

But when we compare NAFTA with SAARC nations, we concluded that FTA (Free trade agreements) amongst SAARC countries is not a feasible proposition, broadly speaking, preferential tariffs improve the chances of widening the possibilities for more FTAs. Moreover, reducing the import tariffs by a fixed proportion for all SAARC countries will not be in the best interest of all members.

Finally, this shows that a developing nation in a multilateral FTA bloc can enjoy benefits and not have the fear of developed nations having the upper hand. But unlike NAFTA, the issues covered under SAFTA are not comprehensive; the scope is confined only to trade in goods. Cross-border trade among member-countries would get energized only if issues such as treatment of foreign investments, movement of labor and trade in services are included in SAFTA.

## **Conclusion**

SAARC countries can perform in a much better way by increasing cooperation among them for the betterment of their trade and economic wellbeing. SAARC countries have to remove all trade barriers to promote trade relations. These relation are greatly affected due to political and terrorism acts, especially the relations between India and Pakistan, as 80% of GDP of SAARC is based on their trading activities, and now a day's these countries are trapped in many political and terrorism issues and blaming each other, and due to this, the trade acts are suffering a lot and GDP is badly affected. So, in short, all countries have to work for mutual benefits and solve all these issues in a friendly manner so that trade between these countries can blossom more in future. India has the largest and fastest growing economy in the region, and it also holds a big trump card for resolving the major issues that have afflicted the region. As a big brother, India has a great responsibility to steer SAARC countries in the direction of economic integration. By doing so, India will expedite its own growth and ensure its stability as well. If India needs a convincing argument for this, it should only examine the circumstances that led to the creation of the EU and NAFTA. SAARC countries can gain if they follow the example of other successful trading blocs like NAFTA and ASEAN.

It is argued that SAARC is unable to integrate South Asian economies because of political conflicts; mainly among SAARC countries. However, political and economic issues are becoming hurdles in the way of prosperity and advantages of unified economy.

Over the years, SAARC's role in South Asia has been greatly diminished and is now used as a mere platform for annual talks and meetings among its members.

SAARC has intentionally laid more stress on "core issues" mentioned above rather than more decisive political issues like the Kashmir dispute and the Sri Lankan civil war. However, political dialogue is often conducted on the margins of SAARC meetings. SAARC has also refrained itself from interfering in the internal matters of its member states. During the 12th and 13th SAARC summits, extreme emphasis was laid upon greater cooperation between the SAARC members to fight terrorism.

Positive perspective suggests that SAFTA will enhance the political gains and economic benefits of all member countries. Though the success of FTA is doubtful, the criteria of high pre-FTA tariffs and geographical closeness are accepted. In addition to that, criteria for trade complementarities is also met because the huge quantity of illegal trade proves the amount of complementarity and switch is actually more than shown in official data.