

Welfare Changes and Sectoral Adjustments of Asia-Pacific Countries under Alternative Sequencings of Free Trade Agreements

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Abstract

In recent years, a growing number of bilateral and plurilateral free-trade agreements (FTAs) involving Asia-Pacific countries have been signed, ratified, or under negotiations. Although there have been studies on sequencing of real and monetary integration, studies comparing changes in welfare and industrial structure resulting from different sequencings of FTAs are extremely scarce. In this paper we compare welfare effects and the extent of sectoral adjustments of the member countries under two alternative FTA sequencings in the Asia-Pacific region, Asian-track and Trans-Pacific-track sequencings, using a dynamic computable general equilibrium (CGE) model. Under the assumption that both an East Asian FTA (EAFTA) and Trans-Pacific Partnership (TPP) agreement will enter into force in 2013, followed by more enlarged FTAs, most member countries are expected to realize larger welfare gains under the Asian track. With respect to sectoral adjustments, there appear to be no significant differences between the two sequencings. A further investigation is required to consider the possibility of delays in EAFTA.

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