

The Economic Impacts of FTAs - Model Simulation Analyses -

March 2005

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Motivation and Objectives

Macroeconomic benefits from trade liberalization have been indicated by empirical analyses

Successful structural adjustments are required to realize possible benefits

Impacts on income distribution are much more concerned

Overview

I. The Impact of RTAs/FTAs

Key observations and findings

II. Sectoral and Regional Impacts

Implications for structural reforms

III. The Relative Significance of FTAs

The comparison of alternative scenarios

The Impact of Trade Liberalization

- **Static Impacts**

 - Expansion of exports and production of tradable goods

 - More efficient resource allocation

- **Dynamic Impacts**

 - Capital formation and economic growth

 - Pro-competitive productivity improvements

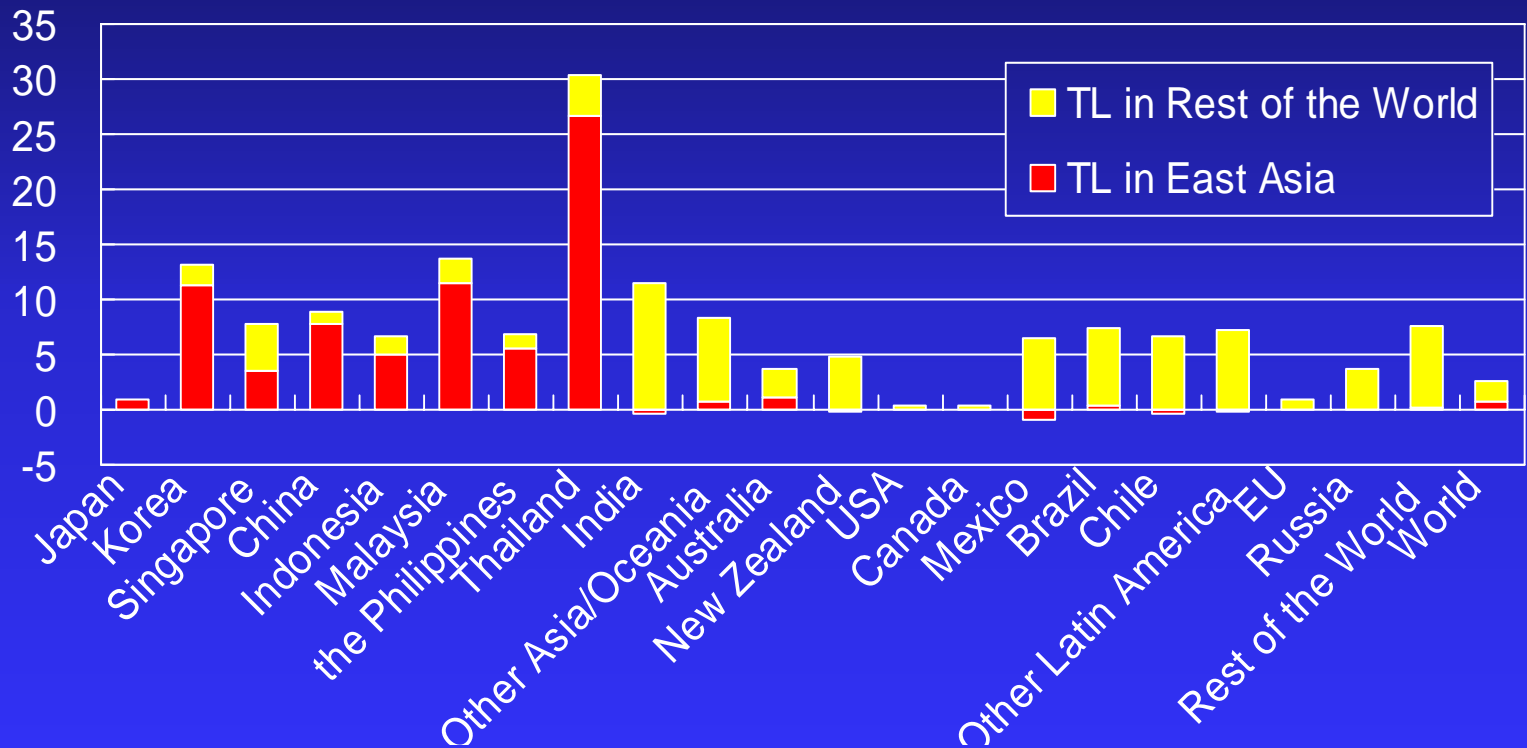
The Impact of RTAs/FTAs

Key Observations and Findings

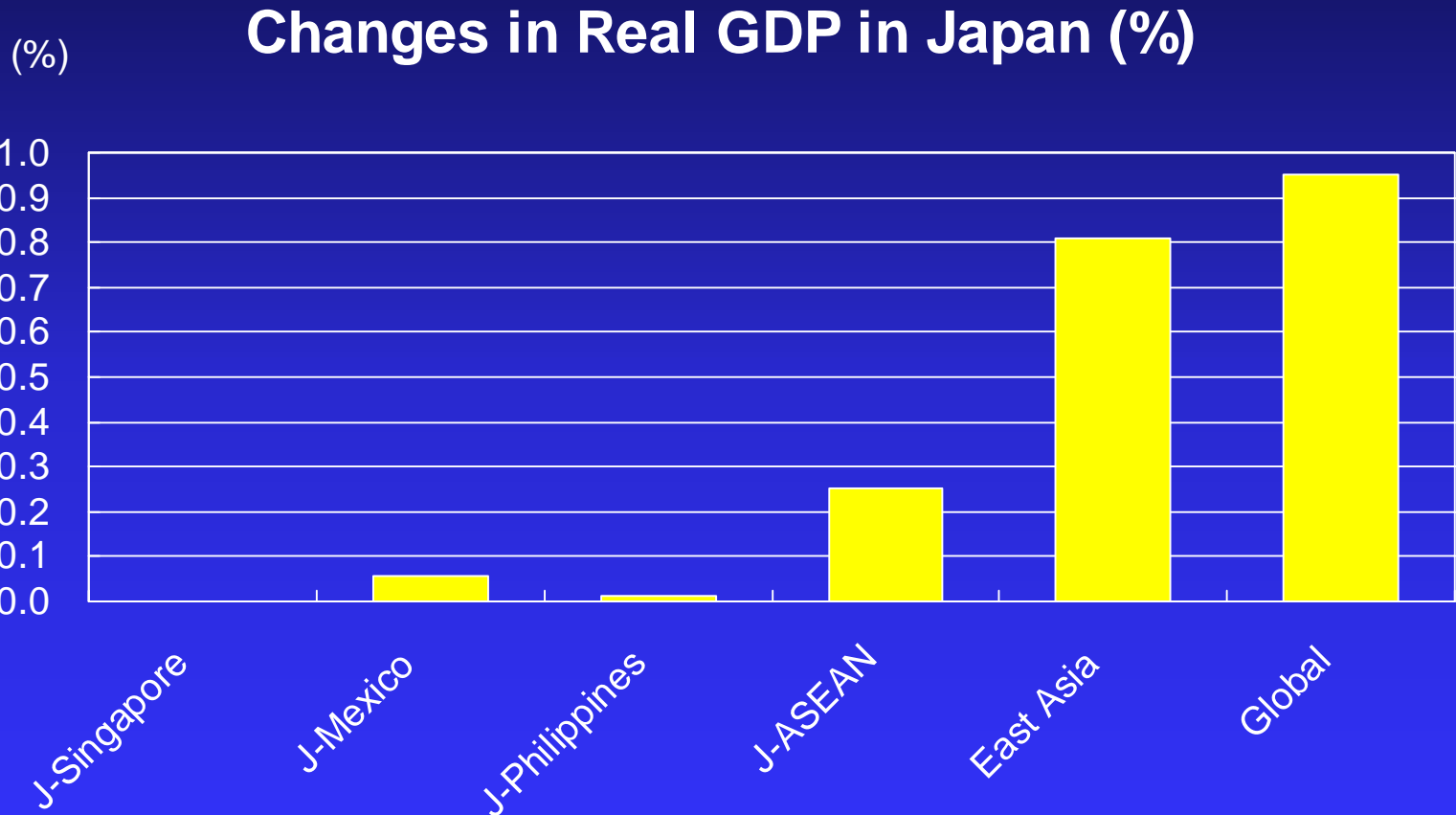
- **“Free rider” gains may be limited**
It is essential to liberalize own markets
- **Wider liberalization would be much more beneficial**
FTAs would be steps toward a final goal

East Asia Trade Liberalization vs. Global Trade Liberalization

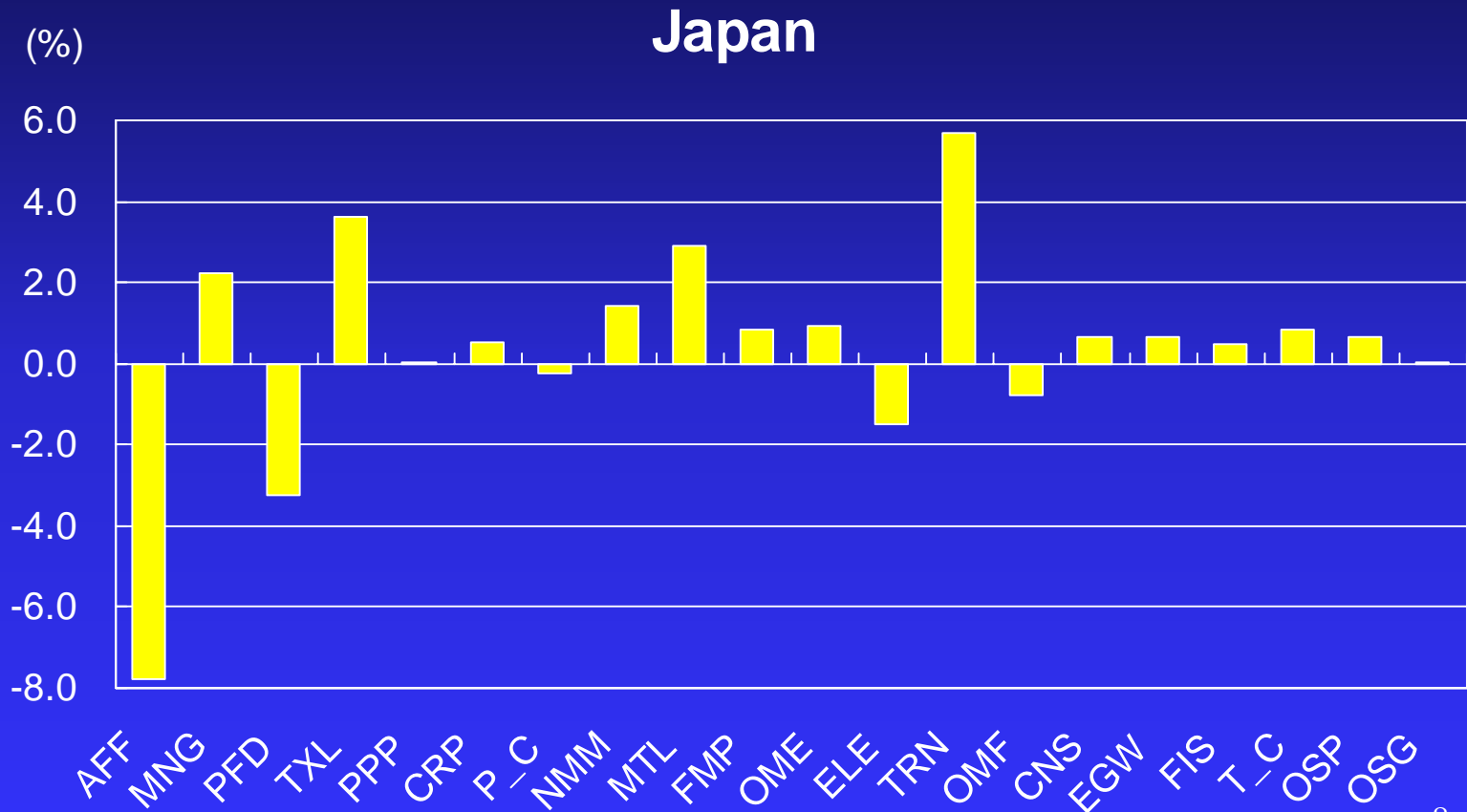
Real GDP Gains (%)



Regional Trade Liberalization vs. Global Trade Liberalization

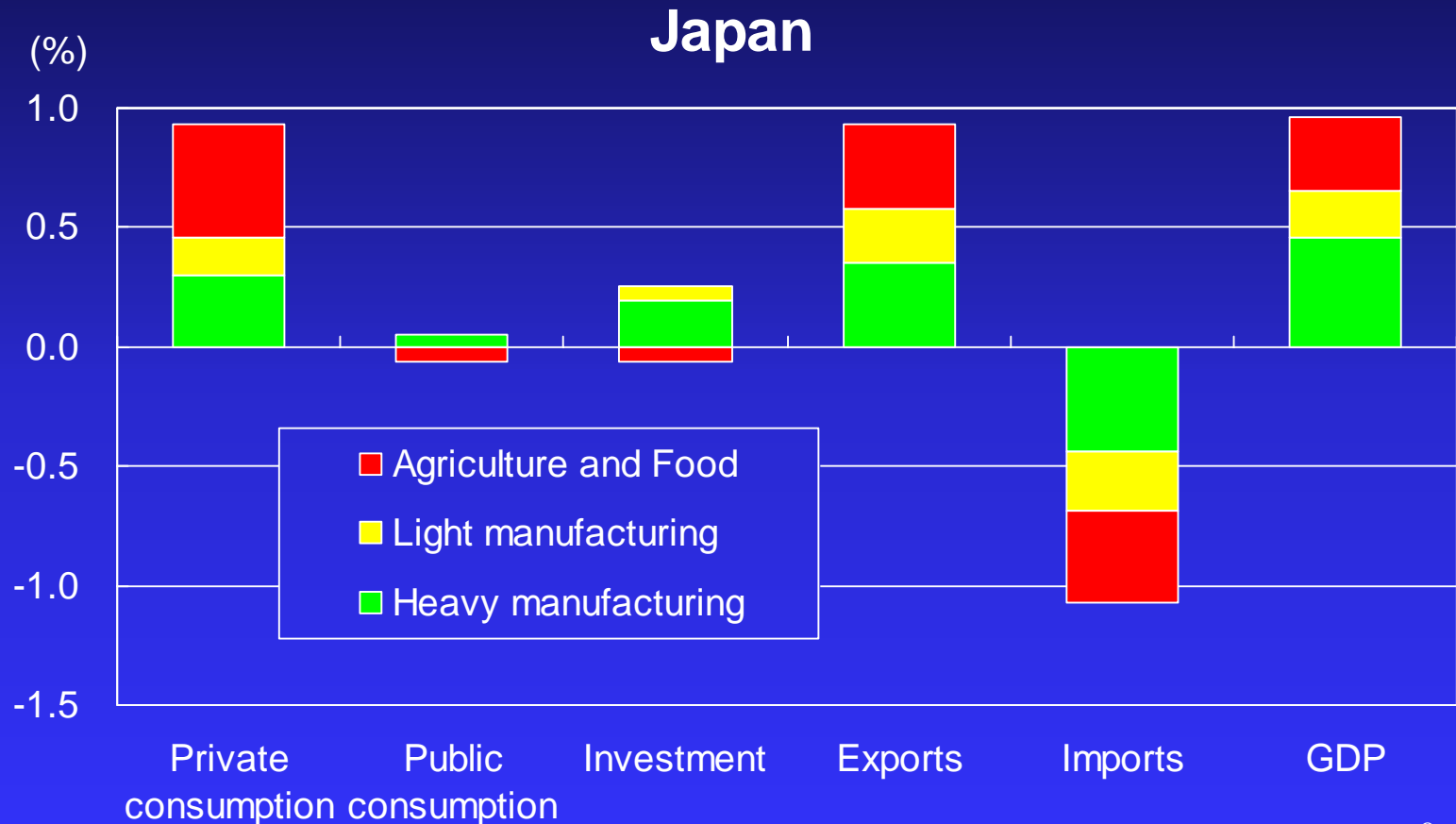


Changes in Production Structures - Global Trade Liberalization -

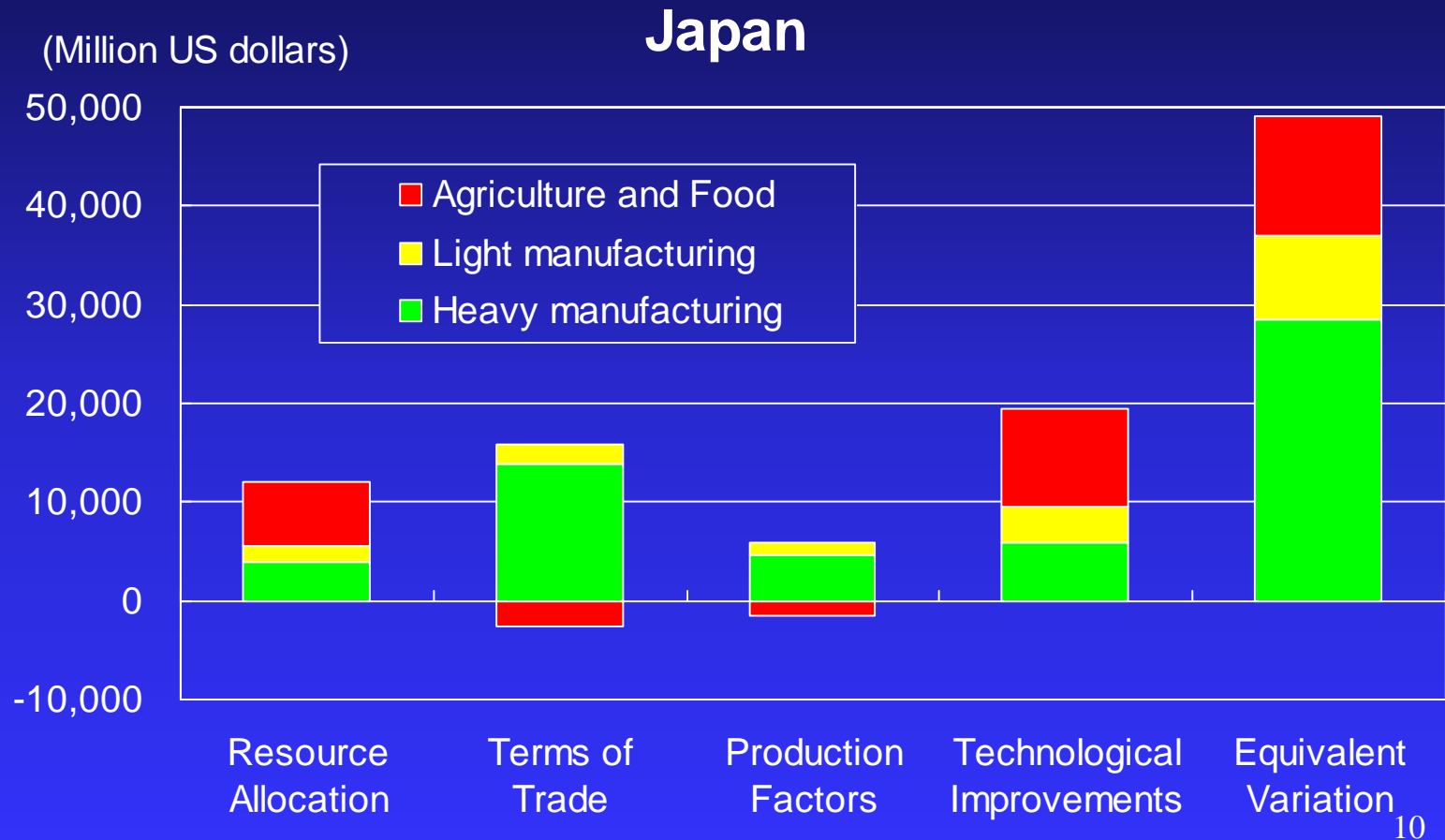


The Impacts of Sectoral Liberalization

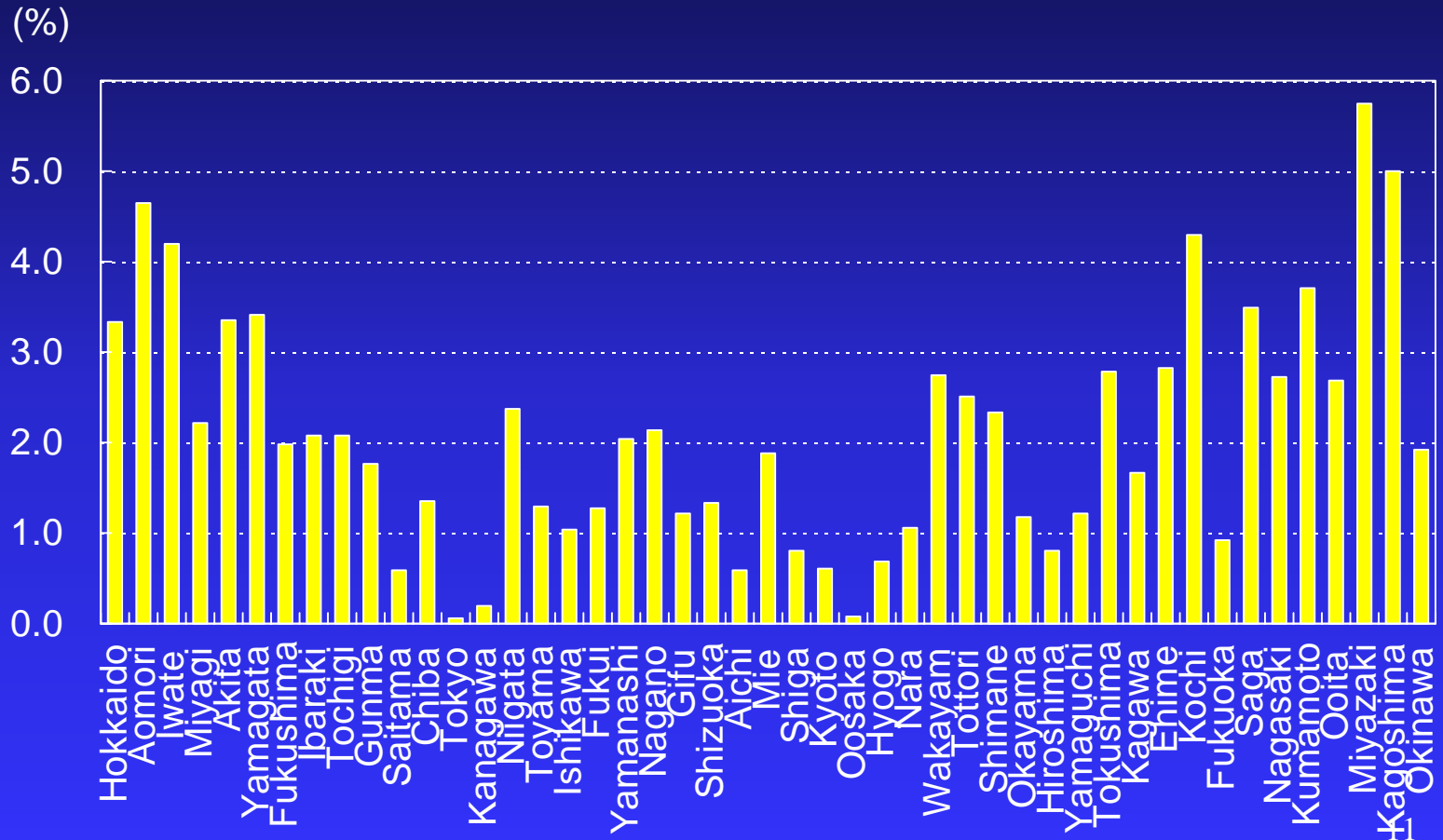
- Real GDP Gains -



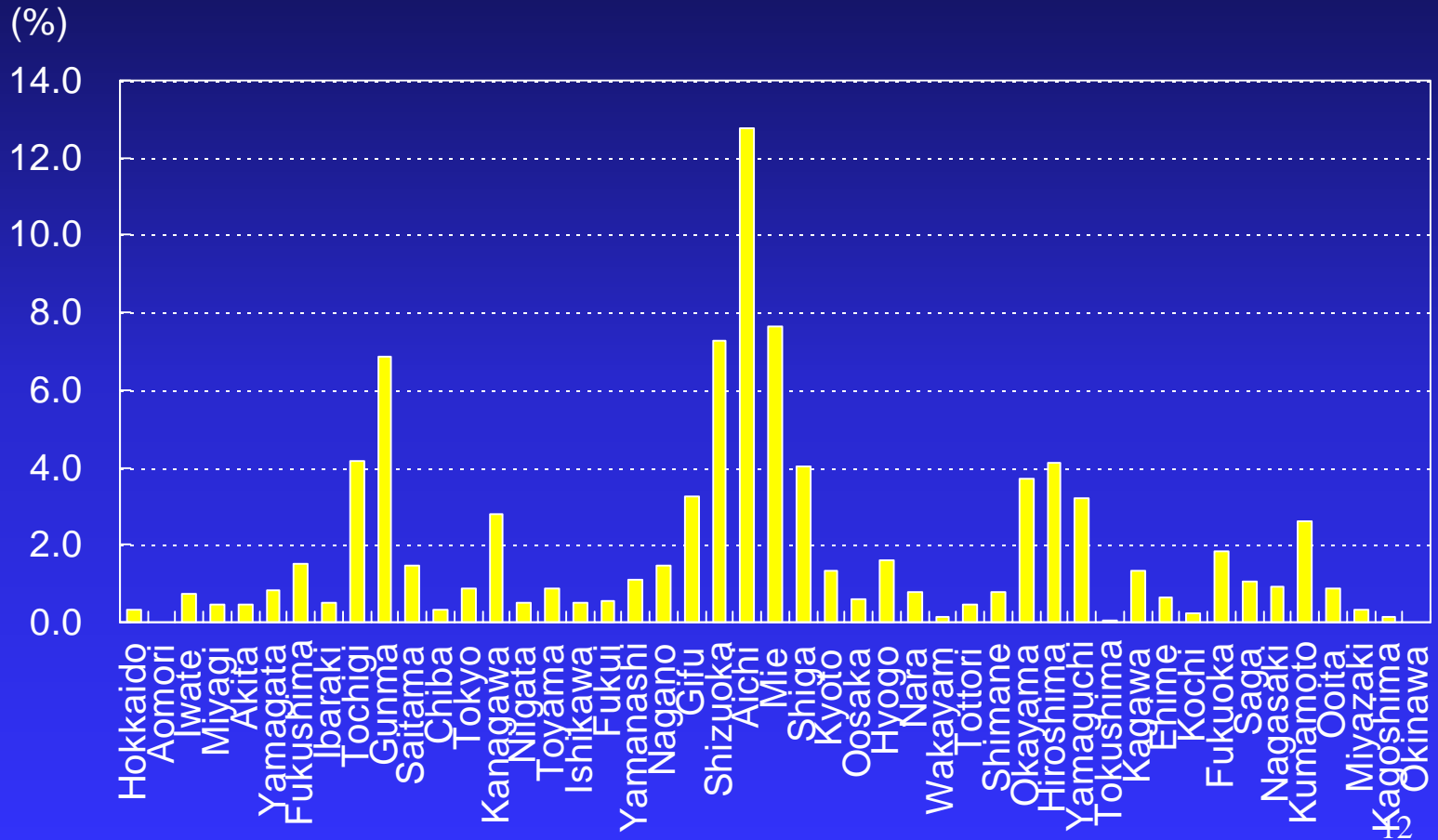
The Impacts of Sectoral Liberalization - Welfare Improvements -



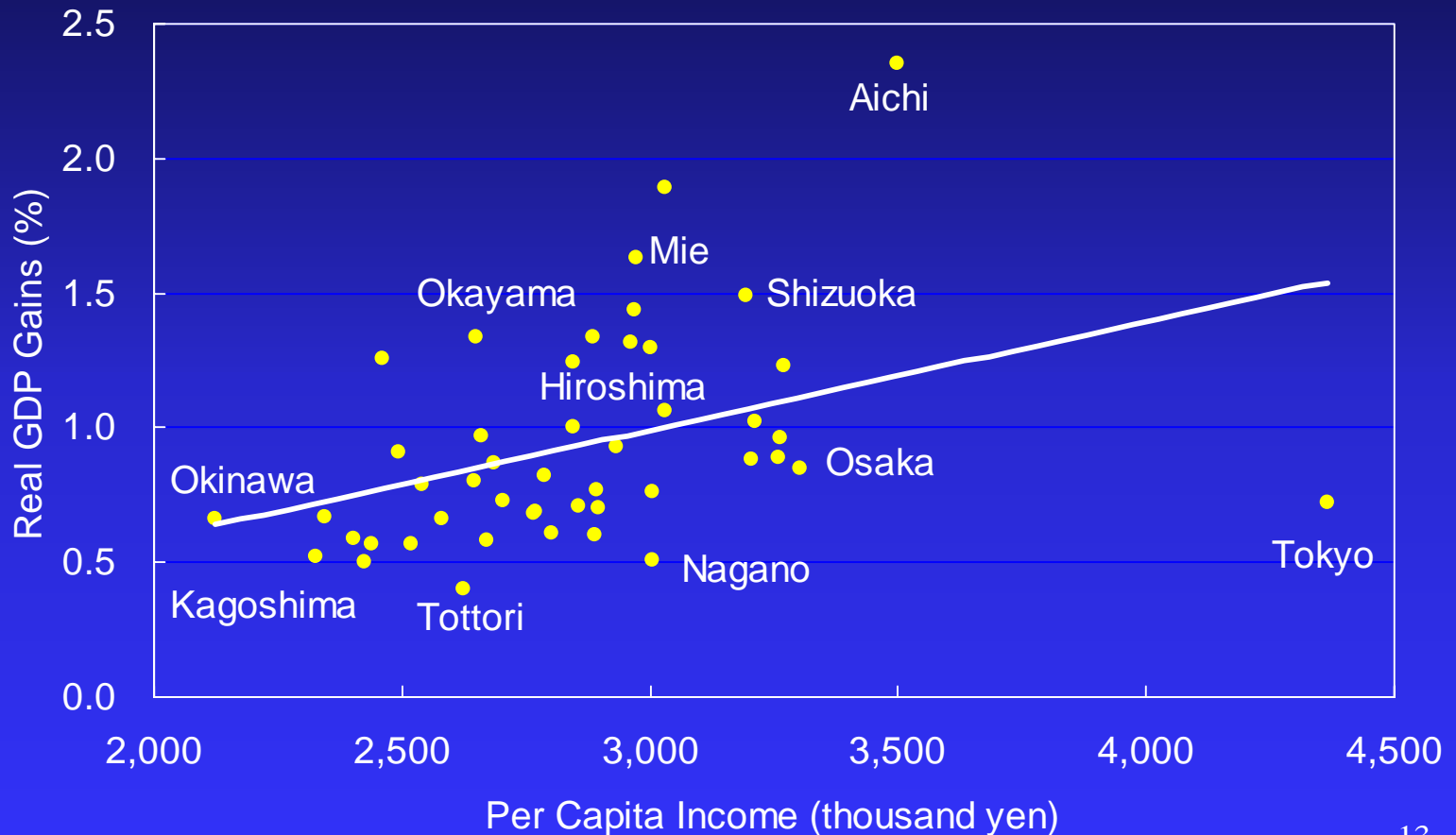
The Ratio of Agricultural Production



The Ratio of Transport Equipment Production



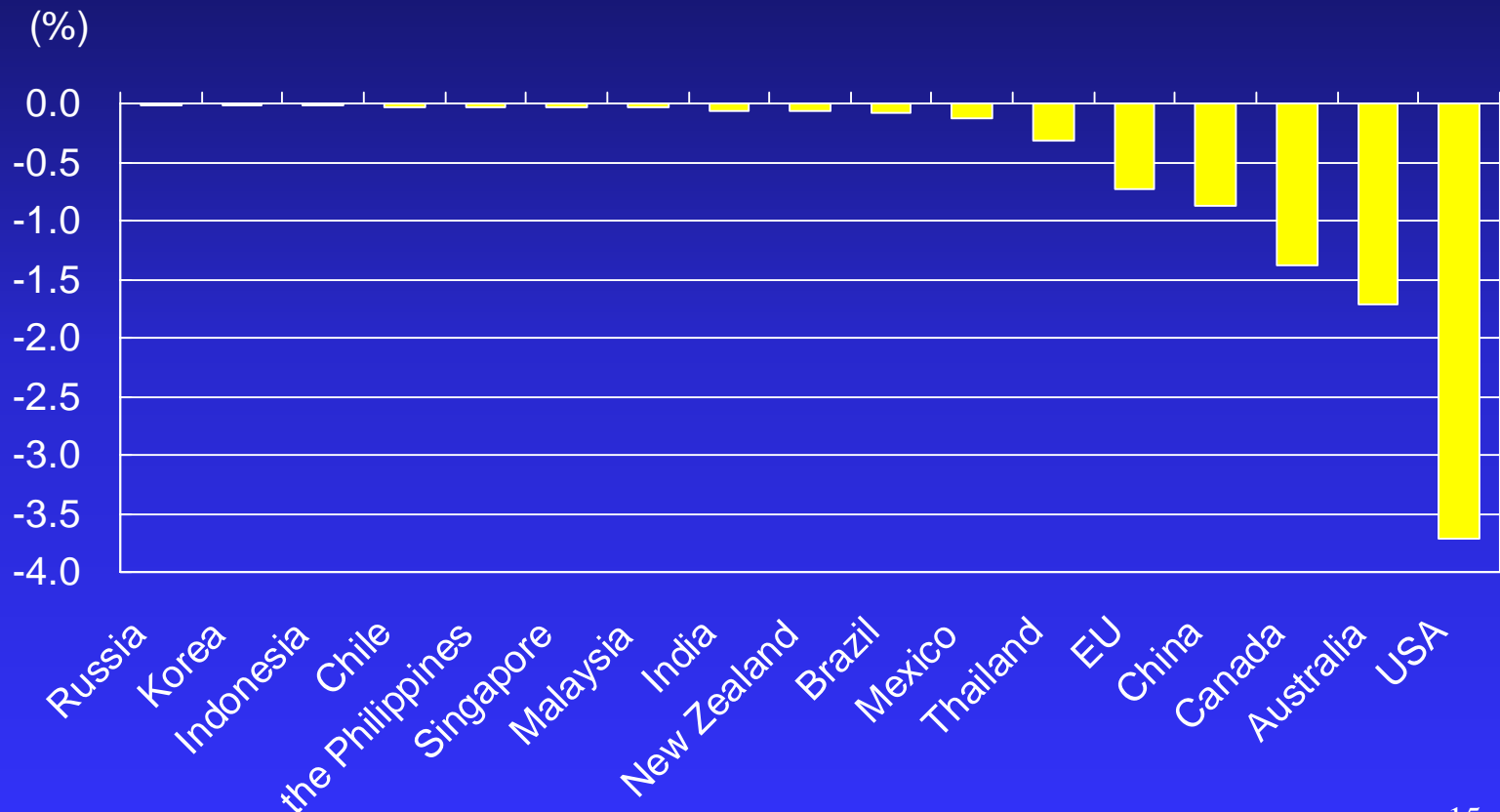
Impacts on Regional Economy



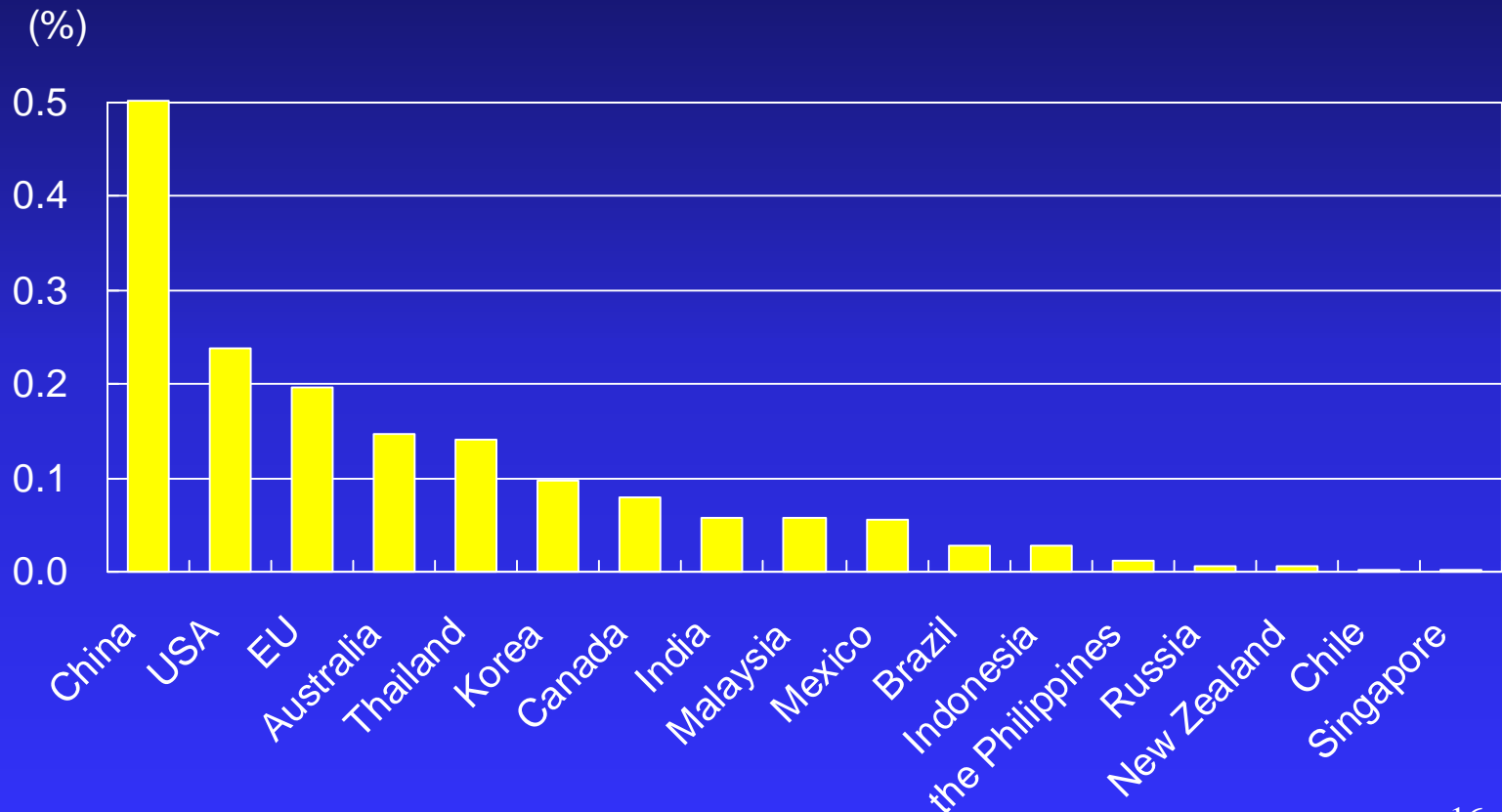
Policy Implications

- **Changes in Industrial Structures**
Japan would gain in transport equipment production, and lose in agricultural and processed foods
- **Impacts of Sectoral Liberalization**
Trade liberalization in agricultural industries would also be beneficial
- **Impacts on Regional Economy**
Regional differences in income levels would be expanded

Changes in Agricultural Production - Japan's Bilateral FTA -



Changes in Real GDP - Japan's Bilateral FTA -



The Costs and Benefits of Japan's Bilateral FTAs

