



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search  
<http://ageconsearch.umn.edu>  
[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

# What is Behind a Free Trade Agreement?

John Wainio

Economic Research Service, USDA

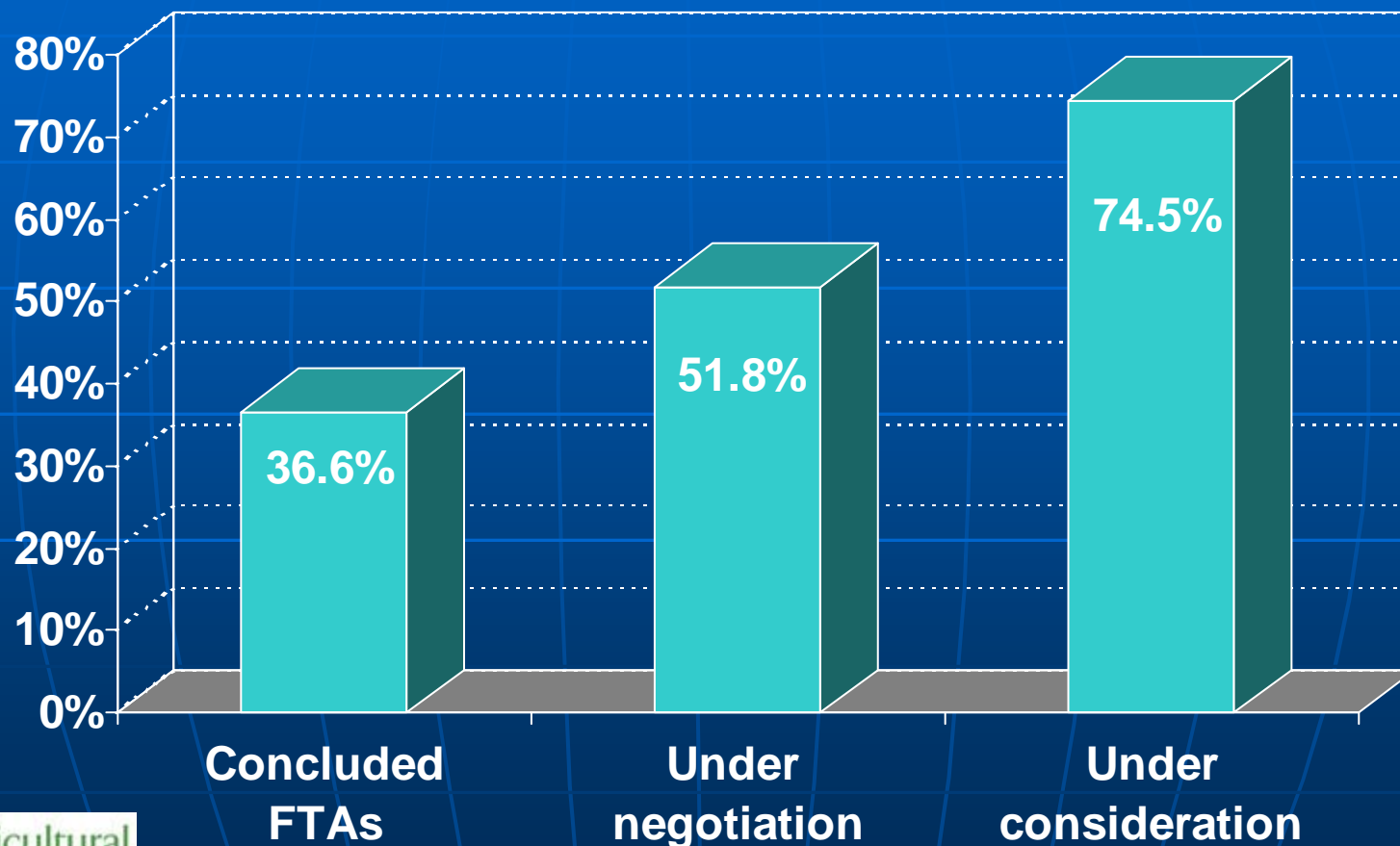


Impacts of Free Trade & Doha Agreements

February 19, 2010



# Share of global trade covered by FTAs



# Why are we interested in FTAs?

- Economy-wide impacts
- Why are they proliferating?
- Effects on the multilateral trading system
- Where is this proliferation leading us?

# Measuring economic impacts of FTAs

- *Ex ante* and *ex post* analyses
- Importance of economic models
  - Partial equilibrium models
  - General equilibrium models
  - Gravity models

# Economic modeling of FTAs – Challenges and Issues

- Distilling the complexity of the real world into a manageable model
- Assumptions and specifications matter
- Static versus dynamic gains
- Analytical framework influences results

# What's behind the proliferation of FTAs?

- Increased market access and investment opportunities are key
- Frustrations with Doha progress
- Domino effect / defensive response
- Strategic or geopolitical reasons

# U.S. Free Trade Agreements

Partner	Entered into Force	Partner	Entered into Force
Israel	1985	El Salvador	2006
Canada	1989	Honduras	2006
Mexico	1994	Nicaragua	2006
Jordan	2001	Guatemala	2006
Chile	2004	Dominican Rep.	2007
Singapore	2004	Costa Rica	2008
Australia	2005	Oman	2009
Morocco	2006	Peru	2009
Bahrain	2006		



# FTAs and the multilateral trading system

- FTAs can complement multilateralism by dealing with issues that are not being addressed in a multilateral setting
- They undermine multilateralism with distinctive rules and regulations that can be confusing and burdensome
- The importance of trade diversion

# Conclusions

- Economic studies have contributed to the debate on the merits of FTAs and are a part of the political decision-making process
- The motivation for expanding FTAs is strong and perhaps growing
- Multilateralism is best, but ...