

## **On Rationale of Free Trade Agreements: the Case of ASEAN-5**

SASATRA SUDDAWASD

School of Development Economics, National Institute of Development Administration,  
118 Seri Thai Rd., Klong-Chan, Bangkok 10240, Thailand  
Email: sasatra@nida.ac.th

PRASOPCHOKE MONGSAWAD

School of Development Economics, National Institute of Development Administration,  
118 Seri Thai Rd., Klong-Chan, Bangkok 10240, Thailand  
Email: prasop.m@nida.ac.th

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This study investigates the unexplored trade potentials and the economic impacts of bilateral free trade agreements (FTAs) between ASEAN-5 member countries (Indonesia, Malaysia, Philippines, Singapore, and Thailand) and the seven-candidate FTA partners (Australia, China, India, Japan, New Zealand, Peru, and the US.) By using the gravity model and the Computable General Equilibrium (CGE) model, this study suggests the first four strategic FTA partners of ASEAN-5: China, India, the US, and Japan. Moreover, this study shows that ASEAN-5 would achieve more benefits from the FTAs if they fully liberalized trade among themselves partly due to less trade diversion, better resource allocation, and terms-of-trade effect improvement. The results clearly indicate the potential gains from the intra-regional free trade, and point towards the importance of the ASEAN regional cooperation.

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