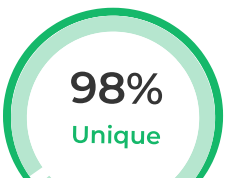


Plagiarism Scan Report



Characters:7033	Words:995
Sentences:43	Speak Time:8 Min

Excluded URL	None
--------------	------

Content Checked for Plagiarism

General Equilibrium impact of India leaving IPEF : Structural Gravity Analysis

Deeksha Rawat, Krutuparna Paranjape, Shivansh Gupta, Pratik Ranjan, Pulak Gautam Department of Economics Indian Institute of Technology Kanpur-208016, India Abstract In today’s dynamic global commerce environment, marked by unparalleled interconnectedness and rapid technology breakthroughs, trade bloc formation and the proliferation of bilateral trade agreements have emerged as critical variables defining the trajectory of international trade. This paradigm shift emphasises governments’ strategic obligation to seize the possibilities provided by increasing global markets and reduce trade obstacles to boost economic competitiveness and support long-term prosperity. Despite the difficulties of economic globalisation, the efficacy and fairness of international trade agreements continue to be scrutinised and debated. This research aims to provide a thorough examination of the diverse dynamics of modern international commerce, with a focus on comprehending the ramifications of global economic integration fostered by these agreements. The study tries to determine the extent to which trade agreements improve trade flows, stimulate investment, and promote economic growth by examining important elements such as tariff reductions and market liberalisation. Furthermore, the study aims to disentangle the complex interplay between trade agreements and larger socioeconomic issues such as income inequality and shared culture, giving significant insights into the changing face of global trade regulation and cooperation. 1

Introduction In May 2022, India and 13 partners launched the Indo-Pacific Economic Framework for Prosperity (IPEF).Partner countries include USA, Australia, Brunei, Fiji, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, South Korea, Thailand, and Vietnam. IPEF partners, which collectively represent 40% of global GDP, are diverse in size and economic development.The initiative is not designed as a traditional comprehensive U.S. free trade agreement (FTA), but IPEF aims to establish “high-standard commitments” in four pillars - (1) Connected Economy i.e. select trade issues, (2) Resilient Economy i.e. supply chains, (3) Clean Economy i.e. clean energy, decarbonization & infrastructure and, (4) Fair Economy i.e. tax & anti-corruption issues). Our motive is to study the impact of such a rising number of trade agreements in the recent past for developing countries like India. We do this by analysing the IPEF agreement and the possible implications when India leaves the Framework. We use structural

gravity model for the analysis and identify the effect on key parameters, if India leaves the trade bloc. The Structural Gravity Model [1] is a developed economic technique to analyse international trade dynamics and policy implications. This approach, led by famous researchers such as James Anderson and Eric van Wincoop [2], outperforms its predecessors by incorporating subtle aspects such as trade costs, market sizes, tariffs, and non-tariff barriers into its analytical framework. Unlike previous gravity models, which had strong theoretical underpinnings, the Structural Gravity Model provides a solid theoretical framework for analysing trading patterns. Its rise was accelerated by the work of Anderson (1979) and Bergstrand (1985), who set the framework for adding elements such as product diversification and Constant Elasticity of Substitution (CES) spending.

2 Research Gap

The current research landscape centres mostly around the application of recognised approaches such as the Gravity model and General Equilibrium Impact Analysis to examine trade dynamics in the western region. However, there is a significant void in the literature about the application of these analytical frameworks to growing economies, such as India. Given the increasing significance of international commerce for developing countries such as India, there is a pressing need for policymakers to evaluate the implications of participation in trade agreements. Policymakers may get crucial insights into the predicted impacts of trade agreements on many economic variables, such as trade volumes, employment levels, and income distribution, by utilising extensive analytical techniques like the Gravity model and General Equilibrium Impact Analysis. Furthermore, understanding the nuances of trade agreements is critical for developing effective policies that maximise the advantages of international commerce while minimising any potential risks. As a result, this study tries to fill a vacuum in the literature by providing a thorough examination of the possible effects of trade agreements on the Indian economy. Using a rigorous analytical methodology, this study aims to offer policymakers with evidence-based suggestions for optimising their participation in international trade agreements and fostering sustainable economic growth.

3 Literature Review

With increasing Globalisation and growing need to understand and predict trade patterns, there has been a resurgence in the use of the Gravity model. Researchers are trying to estimate trade flows and analysing trade agreements using this model. The foundation for the Gravity model was laid by Tinberg (1962) in his remarkable work. He conceptualised it on the famous Newton's law of gravitation, the trade between two countries is directly proportional to their GDPs and inversely proportional to their distance. Through his paper he established the importance of GDP and distance between the countries in shaping trade patterns, establishing a framework for further research.

Xni = GYiaYnbϕni

Helpman(1987) introduced a new element that analysed the relation between income inequality in trading partners and trade volume. As income inequality decreases between trading partners, more balanced trade takes place. This leads to an increase in trade volume between these countries. Anderson and Wincoop (2003) [2] revolutionised the gravity model by introducing multilateral trade resistances. They explained the

longstanding border puzzle as the traditional gravity model failed to explain the observation that trade between countries sharing a border was higher than expected. Multilateral resistance terms explained the impact of a country's trade with other countries on its bilateral trade flows. Following is the typical gravity equation, which relates bilateral trade (X_{ij}) between exporter i and importer j to exporter output (Y_i), importer expenditures (E_j), global output (Y), bilateral trade costs (τ_{ij}), the elasticity of substitution (σ), and outward and inward multilateral resistances (Π_i and P_j). Eaton and Kortum linked trade volume to trade barriers corresponding to technology and geography. As different countries are at different technological levels of production, some countries can produce more efficiently than others. This affects trade volume. Similarly geographical location of a country also affects trade volume.

Sources

2% Plagiarized

by PR Herman · 2021 · Cited by 2 — (Y), bilateral trade costs (τ_{ij}), the elasticity of substitution (σ), and outward and inward multilateral resistances (Π_i and P_j , respectively). The ...

https://www.usitc.gov/publications/332/working_papers/herman_2021_geogravity_modeling_in_python.pdf



[Home](#) [Blog](#) [Testimonials](#) [About Us](#) [Privacy Policy](#)

Copyright © 2024 [Plagiarism Detector](#). All right reserved