

ABSTRACT

ASEAN has extensively cooperated with East Asian countries such as Japan, Korea, and China (hereafter called Plus Three Countries); then consecutively formed AJCEP, AKFTA, and ACFTA. Currently, ASEAN+3 (ASEAN and Plus Three Countries) is proposed in order to extend the socio-economic cooperation, most of all trade. Nevertheless, trade does not necessarily improve the welfare of all parties as the consequences of trade-creation and trade-diversion effect. The aim of this research was to analyze: (1) whether trade ASEAN+3 free trade agreement improve or worsen trade of ASEAN; (2) whether the change occurs through trade-creation or trade-diversion channel. A gravity model approach using panel data is employed to analyze the impact of ASEAN+3 free trade agreements on ASEAN's trade flows during the years of 2000—2014. The results revealed that GDP, GDP per capita, distance, common language, and contiguity have a significant role in determining trade within ASEAN+3. Additionally, this study designated that there has been trade creation within ASEAN+3 subsequent to AJCEP, AKFTA, and ACFTA. In spite of vigorous result of creation effect, all the models are likely to failed in negating trade diversion. To sum up, the ensuing agreements of ASEAN+3 have been positively promoting trade in southeast and east Asia.

Keywords: ASEAN, ASEAN+3, gravity model, trade creation, trade diversion

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