Original Article

General Equilibrium Trade Policy Analysis among One Belt One Road Nations Using Structural Gravity Framework

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Hajra Manzoor[1] and Parvez Ahmad Mir[1]

Abstract

Currently, the world is witnessing one of China's most significant economic integration initiatives–One Belt One Road (OBOR). This article aims to evaluate the general equilibrium (GE) effects of this initiative on member nations. The structural gravity model is used in this study to perform the counterfactual analysis while analysing the conditional and general equilibrium effects of the trade policy of border removal on international trade flow among the member countries. The estimates suggest varied strade gains for the member countries in response to the trade policy changes. Most Asian countries are witnessing an increase in producers' prices and therefore gaining more from globalisation. We also deduced that the member countries had reached half of their potential to trade gains, with most developing countries witnessing a decrease in multilateral trade resistance (MTR). The findings of this study implicate a debate for the policymakers over continuing support for further trade integration.

JEL Codes: C21, F15, F17

Keywords

China, One Belt One Road, general equilibrium effects, structural gravity model, international trade

[1] Department of Management Studies, Islamic University of Science and Technology, Awantipora, Jammu and Kashmir, India

Corresponding author:
Hajra Manzoor, Department of Management Studies, Islamic University of Science and Technology, Awantipora, Jammu and Kashmir 192122, India.
E-mail: hajra.manzoor@islamicuniversity.edu.in