

# The Socioeconomic and environmental effects of free trade agreements: A dynamic CGE analysis for Chile

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This paper undertakes a quantitative analysis of the socioeconomic and environmental impacts of different trade agreements for Chile. A dynamic general equilibrium model is used to compare the consequences of unilateral liberalization and trade agreements with the European Union (EU) and the United States (USA). The results show that economic gains under the trade agreements are only significant if foreign investment increases or value added taxes are modified. Winners and losers depend on the agreement; however, unskilled labor-intensive sectors always progress.

Consequently, these agreements seem to be good for the poorest groups. Some natural resource intensive sectors significantly increase their production with the EU and the US agreements, also increasing the environmental pressures. CO<sub>2</sub> and PM-10 emissions are not very different under these agreements as compared to business as usual - under which environmental pressures increase significantly. The results show the importance of