

UNIVERSITY OF LJUBLJANA
FACULTY OF ECONOMICS

MASTER'S THESIS

**FREE TRADE AND THE WIDENING GAP
BETWEEN DEVELOPED AND DEVELOPING COUNTRIES.
THE WINNERS AND LOSERS OF FREE TRADE.**

Ljubljana, May 2018

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LIST OF ABBREVIATIONS

AMECO	Annual macroeconomic database of the European Union Commission
ASEAN	Association of Southeast Asian Nations
CGE	Computable General Equilibrium
CIS	Commonwealth of Independent States
EU	European Union
EUR	Euro
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GTAP	General Equilibrium Model
IMF	International Monetary Fund
MFN	Most Favoured Nation
OECD	Organisation for Economic Co-operation and Development

RCEP	Regional Comprehensive Partnership Agreement
SPS	Sanitary and phytosanitary standards
TPP	Trans-Pacific Partnership
TTIP	Transatlantic Trade and Investment Partnership
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States of America
USD	United States Dollar
USSR	Union of Soviet Socialist Republics
WEF	World Economic Forum
WTO	World Trade Organization

INTRODUCTION

The flow of money from developed countries to the developing world is colossal. International organizations, as well as certain governments, contribute funds to underdeveloped countries and states in economic distress through various projects. Such aid programs are run by the United States government to assist their political allies, European Union (hereinafter EU) pledges “rescue packages” of significant financial aid to emerging democracies, and organizations like the World Bank and the Organisation for Economic Co-operation and Development (hereinafter OECD) have permanent committees on financing development projects. In 2016 OECD’s Development Co-operation Directorate alone gave out financial aid worth USD 142.6 billion (OECD, 2017b). International Monetary Fund (hereinafter IMF) loans are yet another huge source of financing for countries in need, totalling USD 275 billion as of April 20, 2017 (IMF, 2017). Finally, free trade is also seen as a great way to accelerate the development of poorer nations, and a much more sustainable as compared to one-off “charity” pledges. Trade partnerships with the developed world are said to expand trade potential and bring about long-lasting positive economic effect (OECD, 2010; Krauss, 1997). OECD research further indicates that by opening up to international trade, countries grow faster, increase productivity and improve standard of living. In particular, such effects are due to the international division of labour (Soubbotina & Sheram, 2000).

Jason Hickel (2017) in his “Aid in reverse: how poor countries develop rich countries” challenges the widely accepted supposition that “rich nations of the OECD give generously of their wealth to the poorer nations of the global south, to help them eradicate poverty and push them up the development ladder” (Hickel, 2017). Ian Fletcher, in his “Free Trade is not helping World Poverty”, discusses the capabilities of free trade and concludes that “unfortunately, free trade just doesn’t work as a global anti-poverty strategy” (Fletcher, 2011). What is important, such thoughts do not come as something surprising, as they go along with the rise in anti-globalism, which leads a worldwide struggle against free trade partly in the name of protecting the poor (Teson & Klick, 2007).

Despite all the aid and trade expansion, the US-based Global Financial Integrity and the Centre for Applied Research at the Norwegian School of Economics has discovered that the flow of money from rich countries to poor countries pales in comparison to the flow that runs in the other direction (“Financial Flows and Tax Havens Combining to Limit the Lives of Billions of People”, 2015). So does free trade actually benefit the rich at the expense of the poor?

The thesis critically addresses those optimistic assertions about the benefits of free trade for the poor, as well as the arguments suggesting free trade is only helping the rich

countries get stronger. We take a close look at free trade agreements between economically unequal partners, discuss the advantages they offer and pin-point the problems of unfulfilled free trade agreements. We do this by conducting an in-depth analysis using analytical tools (Pillars Matrix Analysis and Country Profile Analysis) we have created for these purposes. This allows us to understand the country profile capabilities to reap the benefits of a free trade agreement, as well as to assess the effectiveness of the free trade agreement itself. We provide an extensive and empirical conclusion regarding the impacts of the free trade agreement on the less developed country, at the level of: competitiveness, trade impact, employment, technological impact, equality, social and environmental impact and investment climate. We go through the profile of the developing country to assess how capable it is to accept and use the benefits that would come from a free trade agreement with a rich country.

After the analysis of macroeconomic and trade data, we also take a look at the perspective of the people. We collected data on how people perceive the impacts of free trade agreements for the rich and poor countries with relation to a wide range of issues: from merely macroeconomic impact (economic growth, unemployment, inequality) to specific impacts on the technology and innovation. This allows us to compare the findings from the macroeconomic analysis with the actual perception of the people. For the purposes of our research we look closely at Free Trade Agreements (hereinafter FTAs) concluded or negotiated between economically unequal parties, in particular we focus on the FTA between the European Union (as the developed one) and Chile (as the developing one).

The ultimate objective of the thesis is to present the comparison between the scientific impacts of free trade, actual macroeconomic effect of the EU-Chile FTA, and the perception of people about the effects of free trade agreements in general.

In order to conclude, the thesis delivers and compares three sets of findings on all seven pillars: competitiveness, trade impact, employment, technological impact, equality, social and environmental impact and investment climate. The first set of findings is based on the scientific or theoretical expectations about free trade, the second set is based on the actual macroeconomic and trade data related to the EU-Chile FTA. The third set of findings is based on focus groups, in-depth interviews and survey results where we asked the opinion of people regarding various aspects of free trade. Based on what we discovered, we are able to conclude and answer the thesis question.

The structure of the master thesis is as follows. In the first chapter we present the theory behind free trade, in particular how the idea was rationalized and developed by Adam Smith. In this section we also talk about the principal theoretical implications of free trade for economies and we end the chapter with a summary of advantages and disadvantages of free trade. The second chapter outlines the methodology and the limitations of our research. In the next part of the thesis we take a detailed look at the free trade context

between EU and Chile and analyse it based on seven pillars: competitiveness, trade impact, employment, technological impact, equality, social and environmental impact and investment climate. In this third chapter we identify those pillars and assess the impact of the free trade agreement. In the fourth chapter we present our research of how people perceive free trade, here we analyse the results of the qualitative research - in-depth interviews and focus group – and the quantitative research – survey -. Among other things, here we demonstrate the variation between the perceptions of people from developed and developing countries towards the impact of the free trade agreements throughout the seven pillars, based on numerous demographic factors, like region, age, gender, education level, income level, etc. Chapter five serves as the conclusion to the thesis with a comprehensive compilation of all three layers of our findings – scientific expectations, actual impacts of our showcase FTA and the perception of the people – against each pillar. Here we discuss the alignment of elements and the issue of unfulfilled tasks of free trade. The conclusion is followed by the reference list of literature and sources used in the thesis and appendixes related to our qualitative and quantitative research.

1 FREE TRADE AND ECONOMIC GROWTH

1.1 Theoretical motivation behind free trade

1.1.1 Adam Smith's rationalization of free trade

Before delving into the specific issue of how free trade affects the rich and the poor of this world let us first look into the theoretical motivations for free trade. Rationalization of free trade was first made by Adam Smith back in the XVIII century and we will focus on his work, as it sets the theoretical basis of free trade. The famous economist and philosopher argued that through specialization and subsequent improved efficiency of production a country increases its wealth. Trade allows to exchange the surplus of produced goods and, therefore, gain in variety. Smith's idea was contrary to then common doctrine of mercantilism, which in particular argued for a stricter government control over trade, so as the nations would first of all strive to keep a favourable trade balance. Adam Smith believed trade should be left unregulated, the market itself would set the conditions – if one nation can produce a specific product at lower cost, and another nation can produce a different product at lower cost, it is beneficial for both countries to specialize and trade these goods. This theory is now known as the absolute advantage theory, and since its description in late XVIII century it opened the floodgates of the free trade movement we still witness today (Peng, 2016).

In order to understand how Smith's principles work in practice with respect to free trade and how they influence the trading countries' economies, we must keep in mind a few

main issues inherent to absolute advantage theory. There are two important concepts that Smith introduced, which are critical to his theory of trade – the division of labour and labour theory of value. With the help of these concepts Smith explained how prices are determined, and how increasing output and greater wealth is generated through improved productivity, economies of scale and specialization. It is important to note that Smith and other economists of the time came from countries with already developed economies and their focus was on welfare in the Western world and not on conditions in developing nations. Not all countries start with pre-existing features of absolute advantage, since the most important factor in having it is access to proper natural resources. Nevertheless, international trade is seen as a factor of gaining and building up an absolute advantage, even if such preconditions did not exist. One of the Smith's examples on how less developed countries can compete with the richer ones deals with agriculture – although a more developed nation would have more efficient means of production and thus higher efficiency (and even soil fertility due to the use of agricultural inputs), “but this superiority of produce is seldom much more than in proportion to the superiority of labour and expense” (Smith, 2007, p. 10). This brings us to the issue of different wage levels across countries. Empirical evidence (OECD, 2013) shows that wages predominantly depend on the level of development and the national wealth, from which we arrive to a trivial but important conclusion that developing countries with a lower standard of living will have cheaper workforce. Coming back to Smith's example, cheaper labour force in a less developed country will outweigh all the technological advancement of the more developed country.

Another factor that contributes to the difference in wage levels across nations is the extent of the division of labour in manufacturing and agriculture. The nature of agriculture does not imply such a huge difference in types of labour, as manufacturing, according to Smith (2007, p. 9). This brings a much higher level of growth in productivity to economies that have a large manufacturing sector (hence, labour division) as opposed to those mainly dependent on agriculture. However, due to the increasing level of development and wealth, and the fact that wages within a country are not completely independent, we get a situation where in a predominantly manufacturing economy, agricultural wages will also rise. Still, productivity growth in the agricultural sector is lower as compared to growth in wages. This adds to the advantage poorer countries have, because their workforce is not only cheaper because of the general level of economic development, but also as the result of the relative cost advantage over not much more efficient yet more expensive agricultural sector of the richer nation.

It is exactly this particular issue that both the supporters and opponents of free trade often bring up in the debate – opponents of free trade would stress on the negative effects for the richer countries due to the outflow of work places to the relatively poor countries where production costs (a large if not major part of which consists of salaries) are lower.

At the same time supporters of trade without barriers would have a point in arguing that it will bring to the less developed countries more jobs.

1.1.2 Trade as a driver of economic development

The principle driver for people to trade, according to Smith, is people's inherent tendency to barter and exchange one thing for another, along with the selfish interests. In the second chapter of "A Wealth of Nations" he describes it as follows: "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages." (Smith, 2007, p. 16). Further as he discusses the advantages which Europe derived from the discovery of the American continent, Smith outlines the two main advantages of the international trade: the increase of enjoyments and the augmentation of industry. In particular this is due to the fact that trade helps relatively small national markets not to be limited in their division of labour. "By opening a more extensive market for whatever part of the produce of their labour may exceed the home consumption, it encourages them to improve its productive powers, and to augment its annual produce to the utmost, and thereby to increase the real revenue and wealth of the society. These great and important services foreign trade is continually occupied in performing to all the different countries between which it is carried on. They all derive great benefit from it, through that in which the merchant resides generally derives the greatest, as he is generally more employed in supplying the wants, and carrying out the superfluities of his own, than of any other particular country" (Smith, 2007, p. 342-343).

In other words, international trade takes care of the most important limitation there is to the division of labour – the size of the market. Once the frontiers of the market extend from just the national border onto the territory of other countries, the growth in the division of labour also becomes possible. This way cross border trade is beneficial to nations thanks to the extended possibilities in labour division, which leads to the increasing values of produced goods and services and the value of labour. This in turn brings about an increase in revenues for producers and greater welfare for the country as a whole. International trade does not only make use of the division of labour to provide quantitative benefits – through economies of scale more goods and services can be produced with the same amount of labour. International trade also plays an important role in the benefits derived from qualitative improvements. It leads to increasing proficiency of work performed through introduction of technological and managerial innovations (Ozimek, 2015). This increases productivity and stimulates technological change, and as a result, specialization would boost economic development. It is apparent, that the theory of international trade is linked with economic development and the division of labour is exactly this link (Myint, 1977).

What is more, other economists, who examined and interpreted Smith's work, point out to a few other aspects that come into play with free and extending trade. When a nation produces a surplus, in other words, more than it can consume within its borders, it underutilizes its production possibilities. In this case, such a nation then turns to another country to vent off this surplus and to bring the production possibilities frontier back to full capacity. A more efficient way of using production resources is thus yet another benefit from international trade in Smith's theory (Gomes, 2003). Vent for surplus is a means of widening the market and this way improving the division of labour and the level of productivity (Thirlwall, 2000). It is this part of Smith's work that is generally considered to be his theory of the benefit of foreign trade (Magnusson, 2004).

1.1.3 Free trade beneficiaries

Finally, Smith touches on the issue of the benefits of free trade for different parties, the issue we will focus on in this paper. He suggests that just like trade within a country, foreign trade works by the same rules and the extent of benefits it provides is not the same for everyone involved. If we look at one specific country and its local market, we will see that there are inequalities in the society, there are the rich and the poor, although everyone is part of a single market. Smith argues that the same applies internationally when we talk about free trade – the benefits from trading with one another are not going to be divided equally between the countries. Smith even goes on with a very clear comparison in his set of lectures delivered at the University of Glasgow, stating that: “when a rich man and a poor man deal with one another, both of them will increase their riches, if they deal prudently, but the rich man's stock will increase in a greater proportion than the poor man's. In like manner when a rich and a poor nation engage in trade, the rich nation will have the greatest advantage, and therefore the prohibition of this commerce is most hurtful to it of the two” (Smith, 1869, p. 206).

On a global scale Smith (2007) argues that international trade is beneficial both for the countries directly involved in trading, as well as for the whole world in general. According to him, growth and economic development are not capped – the division of labour and economic growth have no limitations. It is worth noting, that other prominent economists, like Paul Samuelson do not agree with this idea and argue that there must be limits to the extent of division of labour (Samuelson, 1978). Yet, Smith's theory (2007) purports that although there are differences in the potential for productivity increases between industrialized and primarily agricultural economies, there are no limits to further increasing the division of labour. Smith looked at the perfectly free global market with great optimism, suggesting a liberal approach towards trade would bring economic growth worldwide (Darity & Davis, 2005).

Nowadays opening up domestic economies to international trade resulted in increasing economic growth, improved productivity, a general improvement of the living standard and technological progress due to innovations sharing (OECD, 2010). Liberalization of international trade is seen as the primary reason for impressive increase in global trade relative to its output, since liberalization began in the middle of the XX century. In fact, when the global output has grown five times, the amount of world trade saw a 16-times increase. Some rapidly developing Asian markets have managed to grow their exports by more than 10% per year. What is even more vivid, those countries that chose to follow the path of trade liberalization have experienced the fastest growth in exports and also the fastest rate of GDP growth (Thirlwall, 2000). Contemporary economists support the ideas first laid down by Adam Smith, stating that free trade gives countries an opportunity to reap the benefits from the international division of labour, however also point to the fact that open markets get exposed to much more fierce competition (Soubotina & Sheram, 2000).

1.2 Advantages of Free Trade

In order to sum up, here we will outline the most prominent advantages free trade carries with it, based on studies and empirical evidence. Firstly, free trade stimulates economic growth, as it is reported that on average liberalized economies grow three times faster than closed ones. As mentioned previously, on a global scale, since the trend for trade liberalization started in 1950s, the world saw an annual increase in trade of 7%, this being considered the primary reason for economic growth (Economics Help, 2017). European Commission (European Commission, 2012) in their brief on the advantages of free trade mention that between 2000 and 2008, GDP per capita of the least developed countries increased from USD 325 to over USD 625, and much of this improvement is related to an increase in trade and foreign investment (European Commission, 2012).

Another important aspect of free trade is that it improves the social situation, in particular due to its positive effect on employment. Trade liberalization stimulates production and efficiency, helps build more competitive industries and apart from creating new jobs, free trade has a positive effect on the purchasing power of people due to increased competition and subsequent decrease in prices (Worstell, 2016). The aforementioned general economic growth leads to increasing incomes and a general improvement of living standards (European Commission, 2006). Free trade is also argued to be a means of reducing poverty, as reduces the limitations on consumers' choices, therefore Froning (2000) suggests that free trade is ultimately fair trade. Moreover, because of increased competition, prices fall and consumers gain access to cheaper goods and services – a factor of reducing poverty in developed countries (Romalis, 2007).

Another positive effect of increased market competition is that it hinders monopolization. Companies become prompt to innovating, improving quality and decreasing prices to succeed. Once exposed to additional competition from abroad, local businesses are forced to become more competitive (European Commission, 2006). This does not only relate to more efficient use of production resources and technological innovations, but also to marketing, logistics and other sides of business (Edge, 2010). Another example of the penetration of modern technologies in developing countries due to international trade and foreign investment is the rapid development in communications industry and in information technology, with mobile cellular coverage reaching 86% of the world’s population in 2008, including 69% of the African population (European Commission, 2012).

In the end, all these factors contribute to promotion of a more dynamic business climate (Amadeo, 2016). Investment climate is also improved, which in turn supports further growth and improved general welfare (Mehta & Smita, 2007). Since market liberalization and promotion of economic freedoms requires a transparent, fair legal and regulatory system, it is said that reforms on free trade generally improve the legal environment and decrease the level of corruption (Froning, 2000). Summed up in Table 1 are the arguments for the advantages of free trade agreements and the supporting empirical evidence.

Table 1: Overview of advantages of free trade agreements and their impact on the economies

Topic	Theoretical arguments by:	Argument	Empirical evidence
Open market access	APEC (2001) OECD (2010) Soubbotina, Sheram (2008)	- improved economic growth, productivity, a higher standard of living, further innovation, stronger institutions and infrastructure, and even promotion of peace - opportunity to benefit from the international division of labour	Free movement principle (EU and EEA) (EC, 2016).
Trade creation	Suranovic (1998) Amadeo (2016)	- trade creation and increased welfare - consumption and supply switch from high cost to low cost producers	Increase in trade: intra-EU as well as extra-EU (EC, 2014).
Economic growth	European Commission (2006) OECD (2010) Love, Lattimore (2009)	- trade increases productivity and growth - for maximum effect openness accompanied by industrial policy measures and institutional changes (rule of law)	GPD growth for the EU (second largest right behind the US) (World bank, 2016).

table continues

Table 1: Overview of advantages of free trade agreements and their impact on the economies (continued)

Topic	Theoretical arguments by:	Argument	Empirical evidence
Employment	Love, Lattimore (2009) EC (2006)	- export increases production, consequently employment increases - price decline increases consumption, leading to job creation	Jobs generated by exports increased by 67% from 1995-2003 (Rueda-Cantuche, Sousa, 2016).
Production efficiency	EC (2006) Edge (2010)	- increased competition increases efficiency, productivity, all types of innovation, which also has a spill-over effect (especially relevant to developing countries)	Higher productivity → higher wages.
Rising standard of living	Dollar (2004) Froning (2000)	- real incomes increase and countries reduce poverty - free trade is the only type of truly fair trade because it offers consumers the most choices and improves their living standard - improved competition, spurring companies to innovate and develop better products	Increase in disposable income → less poverty. Crime rates dropping (4% from 2003-2007) (EC, 2009).
Lower prices	APEC (2001) Love, Lattimore (2009)	- free trade brings lowers import prices - low prices are good for consumers, but bad for producers	Pressure due to increased competition (“Could Free-Trade Mean Bad News for Small Business?” 2013).
Economies of scale	Akerman, Forslid (2009)	- specialization enables economies of scale and leads to increased production	Specialization due to trade.
Exchange rate	Malpass (2005)	- countries with stable exchange rates have seen imports and exports grow rapidly	Eurozone benefits.
Monopoly prevention	Lovasy (1941)	- free trade is a measure for monopoly prevention - there are more incentives to cut costs and increase efficiency	

table continues

Table 1: Overview of advantages of free trade agreements and their impact on the economies (continued)

Topic	Theoretical arguments by:	Argument	Empirical evidence
Improvement of investment climate	Mehta, Smita (2007) Amadeo (2016)	<ul style="list-style-type: none"> - enhanced trade opportunities lead to the improvement of investment climate and growth, which in turn results in consumer welfare - businesses were protected before agreements, now they have to become competitive - establishing the backbone of property rights and free-market policies is essential for creating the sort of market stability that is important to foreign investors 	Increasing, yet still much below the levels before the economic crisis (440 bn in 2007 compared to 267 bn in 2013).
Free trade disseminates democratic values	Froning (2000)	<ul style="list-style-type: none"> - by supporting the rule of law, free trade can also reduce the opportunities for corruption - free trade removes incentives for corruption by spurring economic growth, increasing the number of better-paying jobs, and ultimately increasing the level of prosperity 	The EU transfers their values and standards to other countries.

Source: Prašnikar, Redek & Koman (2016).

1.3 Disadvantages of Free Trade

Recent years have seen a rise in anti-globalization movement and free trade has been loudly criticized. However, it is not just opportunistic politicians who stress on the disadvantages of free trade, but also a number of notable economists. The most common arguments against trade liberalization relate to the fact that benefits reaped by one country will actually be to the detriment of another. While opening up the local economy for trade improves access to foreign markets, it also means that local companies might face aggressive unlimited competition from abroad. In this case, the local companies will have to react and either fight back foreign competitors with lower prices or use other sources of competitive advantage in order to maintain status quo in the market (Feaver, 2004).

The gains from free trade in terms of improving employment may be set off by the reduction of employment due to an increase in imports. Edge (2010) goes on and argues that even structural unemployment could be triggered by reducing trade barriers, the primary reason being increased foreign competition and the inability of local businesses to cope with it. Unemployment in turn may cause social problems as well as an additional burden on public finances.

By exposing the country to fierce foreign competition, free trade may cause a grave setback for local infant industries (Ngono Fouda, 2012). In fact, the infant industry

argument is one of the basic and oldest justifications for protectionism (Melitz, 2004). The argument is even more relevant for developing countries, where newly established businesses do not yet have the experience, information or technology to be competitive in a market with already established foreign producers. The lack of proper production technology, no experienced personnel and management would result in inefficient processes and inability to withstand in a rivalry against more experienced producers from developed countries. In such cases, governments can protect their infant industries not only by domestic production subsidies, but also by setting a system of tariffs and quotas in order to limit the exposure to foreign competition and maximize domestic welfare over time. In other words, limiting trade and establishing barriers is used to counter these negative effects. At the same time, creating unnatural environments to support an underdeveloped industry may result in loss of incentive for innovation and search for efficiency, which in the end will have a negative long-term effect on the price and quality of goods produced locally.

The problem can also apply to mature and efficient industries, which may face price dumping from foreign competition. However, bi- and multi-lateral free trade agreements tend to cover the issues of dumping and try to prevent problems like this one. Empirical analysis of data related to trade agreements and anti-dumping investigations over the periods before and after the countries entered into a free trade agreement confirmed the negative relationship between them. This means that although dumping remains an issue within the wide framework of World Trade Organization, once countries work out a separate more detailed free trade agreement, dumping no longer poses a serious threat (Ahn & Shin, 2011).

The decrease in quality of products is also often pointed out as one of the threats that comes with free trade. Drodz and Miškinis (2011) mention that often countries fail to agree on a unified set of quality standards in their trade agreements and that can cause a problem. Stiglitz (2016) argues that trade agreements are heavily influenced by corporations that use lobbying to guard their interests. Large corporations manage to gain advantage often at the expense of the public, regardless of whether the net result for the global economy is positive or negative.

Stiglitz also mentions concerns about climate change and deterioration of environment. It is true that the expansion of trade can have implications for the environment. While countries gain economic advantages by increasing trade, environmental impacts such as increased pollution or natural resource degradation may also occur as a result of trade. Harris (2004) notes that the effects of trade on the environment are varied. A country's agricultural production sector can undergo considerable changes when free trade agreements provide new incentives for growing specific crops to be exported. Such changes may cause increased environmental harm. Secondary effects of trade may arise

from the disruption of existing communities, increased migration, and impacts on marginal lands (Harris, 2004). Environmental concerns can also be connected with the fact that consumers from developed countries with tough environmental regulations will be inclined to import products from less developed countries with weaker control over pollution (Economics Help, no date).

Moreover, simply increasing the scale of economic activity means more material goods are produced, causing different kinds of pollution. This tends to reduce environmental quality, as each one percent rise in economic activity induces about one-quarter of one percent rise in pollution concentrations due to this force (Antweiler, Copeland & Taylor, 2001). However, in general, Antweiler, Copeland and Taylor (2001) state that such negative environmental effect is set off as trade induces more economic growth over time. Because the society becomes wealthier, it becomes more environmentally conscious and requires more environmental amenities. Daniel K. Benjamin (2002, p. 16) reports that “as free trade expands, each one percent increase in per capita incomes tends to drive pollution concentrations down by 1.25% to 1.5% because of the movement to cleaner techniques of production”.

Finally, some argue that free trade being part of a much larger concept of globalization poses a cultural threat. Free trade helps the spread of already dominant western consumer culture, cultural unification and commercialization. (Olivier, Thoenig & Verdier, 2008). This one and other disadvantages of free trade agreements are summed up in Table 2.

Table 2: Overview of disadvantages of free trade agreements and their impact on the economies

Topic	Theoretical arguments by:	Argument	Empirical evidence
Aggressive entry	Feaver (2004)	- domestic firms must either lower prices or use non-price strategies to retain sales	Small local companies suffer (Smith, 2016).
Trade diversion	Suranovic (1998)	- the larger the difference between prices in the free trade area and in the rest of the world is, the more likely it is that trade diversion will reduce national welfare	
Trade imbalance	OECD (2010) Confronti, Salvatici (2004)	- if it results in an imbalance of goods traded, it may be detrimental to sectors development in the long run - poorer economies have difficulties in capturing the opportunities of free trade	In 2016, the Eurozone trade surplus fell by 18.6 % (EC, 2016).

table continues

Table 2: Overview of disadvantages of free trade agreements and their impact on the economies (continued)

Topic	Theoretical arguments by:	Argument	Empirical evidence
Complexity of the trading system	APEC (2001)	- it increases the complexity of the international trading system and can raise transaction costs for business	
Increase of economic instability	Edge (2010) Moonhawk (2006)	- economic instability increases due to high dependency on global markets - political instability increases in developing countries - narrow international specialization is risky because of the possibility of sudden unfavourable changes in demand from the world markets	Huge impacts of the economic crisis (substantial investment decrease) (EC, 2015).
Economic underdevelopment	Malpass (2005)	- some regions impacted more than others - macroeconomic stability important as a condition to benefit from trade	Local companies suffer due to increased competition.
Structural unemployment	Edge (2010)	- increase of imports reduces employment and with the removal of trade barriers, structural unemployment may occur in the short term	Better high-paying jobs, loss of low-quality jobs.
Infant industries	Edge (2010) Soubbotina, Sheram (2008)	- infant industries face problems without government protection - protectionism is dangerous as it stimulates inefficiency	More specialization due to trade, economies of scale.
Dumping	Edge (2010)	- countries with surplus products may dump them in the world markets below cost - even efficient industries find it difficult to compete for long under such conditions	Companies avoid it, the EC has strong anti-dumping policy (EC, 2014).
Cultural identity	Economics help (no date) Olivier, J., Thoenig, M. & Verdier T. (2008)	- protection from Americanisation or commercialisation - cultural globalization and diversification	Common European identity crisis.

table continues

Table 2: Overview of disadvantages of free trade agreements and their impact on the economies (continued)

Topic	Theoretical arguments by:	Argument	Empirical evidence
Environmental concerns	Edge (2010) Economics help (no date)	- environmental cost of production rarely included in the price - local product not necessarily environmentally more efficient - increased danger of resources depletion for exports	(For now) strict environmental standards.
Lower quality	Drodz, Miškinis (2011)	- doubts regarding product quality due to diverse standards	Strict consumer standards.
Negative impact on society	Stiglitz (2016)	- corporations attempt to advantage themselves at the expense of the society - net benefit of a trade agreement is negative and any government that passes a regulation that has an adverse effect on the profits of a company can be sued - undercuts urgently needed actions on climate regulation – Paris agreement	(For now) strict environmental standards.
Inequality	Loungani and Furceri (2016)	- financial openness has distributional effects, appreciably raising inequality	

Source: Prašnikar, Redek & Koman (2016).

Some of the advantages and disadvantages of free trade are in fact the two sides of the same coin. Table 3 provides a clear juxtaposition of the opposite effects free trade may cause depending on the specific context and for different parties.

Table 3: Juxtaposition of free trade benefits and threats

Level	Benefits	Threats
Country	Open Market access	Aggressive market entry policy
	Trade creation	Trade diversion, trade imbalance, trade complexity
	Economic growth	Economic instability, economic underdevelopment
	Comparative advantage	Inflexibility
	Employment	Structural unemployment

table continues

Table 3: Juxtaposition of free trade benefits and threats (continued)

Level	Benefits	Threats
	Improved investment climate	Difficult establishment of developing and new industries
	Monopoly prevention	Corporate restructuring
	Exchange of raw materials	Environmental concerns
	Intra-industry trade	Exports of primary products
Organisation	Economies of scale	Higher competition
	Foreign exchange rate gains	Dumping
	Production efficiencies	Export concentration
	Higher collaboration	Unfair competition
Consumer	Rising standard of living	Cultural identity
	Greater variety of products	Misrepresentation
	Lower prices	Lower quality

Source: Drozd & Miškinis (2011).

1.4 Recent Developments and Expectations for Free Trade

The multilateral trade regime that was established by the General Agreement on Tariffs and Trade (hereinafter GATT) and later transformed into the World Trade Organization (hereinafter WTO) framework has been experiencing considerable erosion starting from early and mid-1990s. During this time the world saw an emergence of a large number of bilateral and regional trade agreements, which defined specific reciprocal commitments between the contracting states. Governments felt the need in improving the tools for enforcement, decreasing the number of exceptions and demanding commitments tailored to their specific needs, which the WTO system did not provide for. The new wave of trade agreements between countries also often included extensive sections on investments and investment protection, making them part of a comprehensive trade deal instead of being a separate investment agreement. This trend was reflected in the United Nations Conference on Trade and Development data, which shows that smaller and smaller numbers of investment agreements signed, starting from mid-1990s and especially early 2000s (UNCTAD, 2014). At the same time, regional trade agreements have been reported to incorporate investment provisions more often (Miroudot, 2011).

This way, bilateral and regional free trade agreements are more than just efforts to decrease tariffs, quotas and other trade barriers, but a much more comprehensive mechanism that leads to “deep integration” of countries. The evidence shows that the scope of free trade agreements’ provisions has become more comprehensive over the past 20 years (Dür, Baccini & Elsig, 2014), and many of these treaties are now described as “deep and comprehensive free trade agreements”, “comprehensive economic partnership agreements”, etc. Free trade agreements often deal with the issues of public procurement,

investment, finance, competition, as well as the mutual recognition and harmonization of standards (UNCTAD, 2014).

The latter, harmonization of standards has become an important element of the free trade agreements, since common standards enable compatibility between imported and locally produced goods, and also facilitates substitution (Disdier, Fontagné & Cadot, 2013). Due to standards harmonization businesses gain access to a much larger market with their harmonized products and therefore can realize the economies of scale. The European Union is one of the major parties that pays much attention to standards harmonization in its foreign trade policy efforts. However, the experience of EU in introducing a specific set of standards for products resulted in an actual market discrimination against developing countries that could not catch up with the technological development and innovations. Reyes (2012) provides an example of such de facto discrimination, where EU's electronics harmonization of its standards with the international ones in 1990s led to an increasing number of exporters from the United States, but a decrease of exporters to the EU from developing countries (Reyes, 2012).

At the moment there are 164 members of the World Trade Organization (WTO, 2017b). Due to the fact that WTO member countries are required to notify the organization about participation in regional trade agreements, the World Trade Organization has reported that as of June 20th, 2017, 279 regional trade agreements were in force. These correspond to 445 notifications from WTO members, counting goods, services and accessions separately (WTO, 2017a). In fact, almost all of the organization's member states have notified participation in one or more regional trade agreements (some countries are party to twenty or even more).

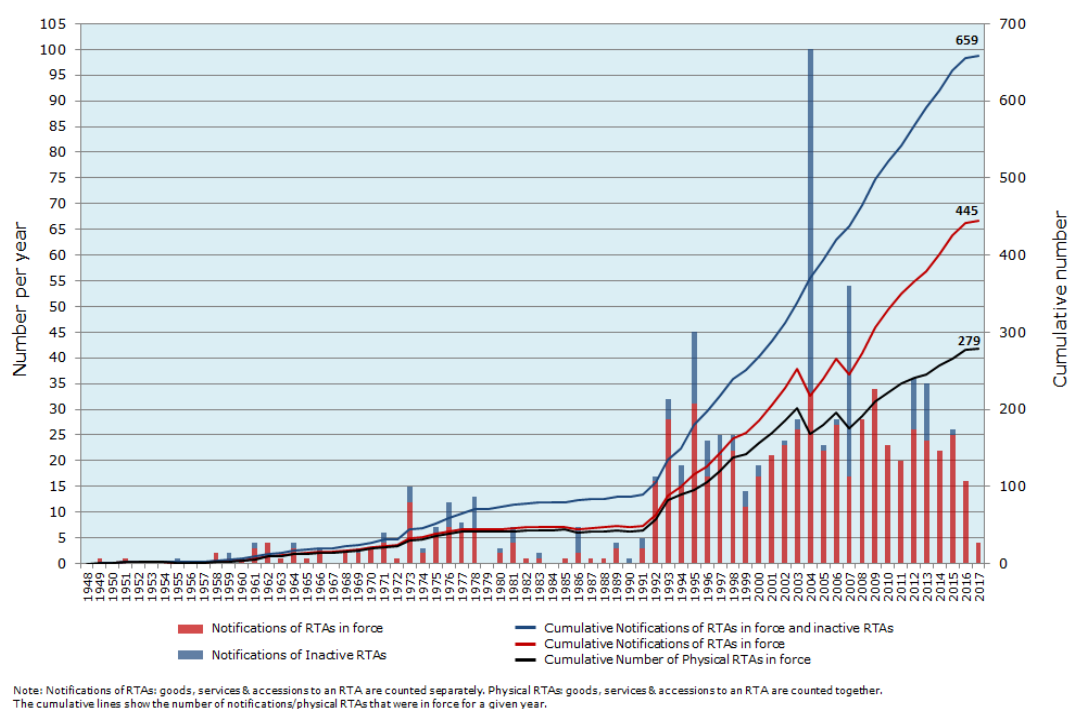
In the period between 1948 and 1994, the predecessor of the World Trade Organization, the GATT, received 124 notifications about regional trade agreements (relating to trade in goods), however, since the creation of the WTO in 1995, more than 400 additional arrangements covering trade in goods or services have been notified, and many are still being negotiated.

Many of the WTO member states continue to be involved negotiations on new regional free trade agreements. Just like those agreements already in force, many of the new negotiations are being conducted on a bilateral bases. Nevertheless, recently the number of multi-lateral negotiations (between several WTO member states) have been reported. These negotiations include the trade deals for the Asia-Pacific Region – a Trans-Pacific Partnership Agreement (hereinafter TPP). This deal is bound to include 12 countries. Another set of negotiations is conducted in Asia between ASEAN member states and six other WTO members with which ASEAN has agreements in force – the Regional Comprehensive Partnership Agreement (RCEP). Latin America is another region which

saw several countries negotiating a comprehensive trade deal – the Pacific Alliance in Latin America, which at the moment includes Mexico, Colombia, Chile and Peru. In Africa several “conglomerates” of states, namely Common Market for Eastern and Southern Africa, East African Community and Southern African Development Community are working on a trilateral agreement. If successfully completed, such agreements that consolidate international trade rules for groups of countries have a potential to reduce the already complicated pattern of regional trade agreements (“Tanzania, Nigeria and the EU: Free Trade Discord”, 2016). Such deals will supersede the great number of existing bilateral agreements and create a new set of rules common to every country involved.

The dynamics of regional trade agreements is shown in Figure 1. It is based on the notifications received by the GATT and WTO during 1948-2017.

Figure 1: Evolution of Regional Trade Agreements in the world, 1948-2017



Source: WTO (2018).

While some countries, being part of regional groups and organizations, negotiate large free trade deals with other such groups of countries, it is also common for groups of countries to negotiate agreements with individual nations. The European Union is a great example: as of July 2017 it had on-going negotiations with 15 individual countries. One of the most important currently negotiated free trade agreements, which was also heavily covered by the media, involves world’s two largest economies – the European Union and

the United States of America. The Transatlantic Trade and Investment Partnership (hereinafter TTIP) has been actively negotiated since 2013, however, following years of intensive talks, TTIP negotiations were effectively put on hold with the new US administration taking office in 2016 (European Commission, 2017e).

Another landmark free trade deal briefly mentioned earlier and which was in the final stages of negotiations before recently getting suspended is the Trans-Pacific Partnership. The agreement involves 12 countries of North and South America, Australia and South-East Asia with a collective population of about 800 million. TPP was called to unite the markets, which are responsible for 40% of world trade (Office of the United States Trade Representative, 2016). The agreement was considered to become an extraordinary achievement, considering the different regulatory approaches and standards used in the countries involved. It was designed to build a framework of rules for trade and investment regulation with significantly reduced tariffs and to establish a system helping address concerns relating to non-tariff measures (World Economic Forum, 2016). Just like with the EU-US deal, the TPP became the victim of the policies of the new US administration, which officially withdrew from the talks on TPP (The White House, 2017). In order for the partnership to take effect, it would need to be ratified by February 2018 by at least six countries that account for 85% of the economic output of all countries involved in negotiations. This effectively means that the US has to be on board, otherwise the condition would not be met (“TPP: What is it and why does it matter?” 2017).

All in all, despite the setbacks in moving forward with the big free trade deals due to the position of the US administration, the G20 meeting in Hamburg in Summer 2017 showed that globalization is not yet dead, and that antipathy to free trade from populists has not yet triumphed. Having reached agreements on several difficult issues regarding the automotive industry products, the EU and Japan have come very close to finalizing their economic partnership agreement. If concluded swiftly before the end of 2017, the agreement will increase pressure on the US administration to reconsider their anti-trade stance (“An EU-Japan Pact Shows How Free Trade Strides On”, 2017). Another big challenge of the coming months and years will be the United Kingdom’s exit from the EU. Because of leaving the single market, the UK would need to devise a plan how to keep its existing trade relationships and build new ones. Some argue that the optimal policy for the UK would be to move to global free trade under the WTO, but be willing to negotiate a free trade agreement with the EU on specific industries for a transitional period (Economists for Free Trade, 2017). Moreover, since after Brexit the UK will be completely free in its trade policy, one would expect to see more bilateral free trade negotiations initiated.

2 METHODOLOGY AND LIMITATIONS

2.1 Methodology

We use a combination of quantitative and qualitative analytical descriptive methods. Apart from the analysis of theoretical literature (academic studies, policy papers, official reports accompanying free trade agreements and proposals) and regulatory documents (free trade agreements *per se*) our focus was on collecting and analysing economic data.

The empirical evidence regarding free trade agreements and country profiles in question was sourced from publicly available information (national statistics, renowned indexes like IMF, World Bank, WEF, UN, OECD, AMECO) and scientific research papers, which include the GTAP – General Equilibrium Model.

The data was be put into our Pillars Matrix Analysis tool to assess the impact of a free trade agreement and Country Profile Analysis tool to assess the capabilities of a country to make use of the free trade agreement, both consisting of the same seven core aspects:

Pillars Matrix Analysis:

- competitiveness,
- trade impact,
- employment,
- technological impact,
- equality,
- social and environmental impact,
- investment climate.

Country Profile Analysis:

- competitiveness,
- trade profile,
- employment,
- technological profile,
- equality,
- social and environmental profile,
- investment climate.

Pillars Matrix Analysis tool - in order to assess the impact, we set a series of measures for each of the pillars, as shown in Table 4.

Table 4: Pillar Matrix Analysis tool

#	Pillars	Magnitude	Measure	Judgement
1	Competitiveness		GDP Growth	
			Political Stability	
			National Industry Development	

table continues

Table 4. Pillar Matrix Analysis tool (continued)

#	Pillars	Magnitude	Measure	Judgement
2	Trade Impact		Trade	
			Exports	
			Imports	
			Administrative Barriers	
			Exchange Rate	
3	Employment		Unemployment	
4	Technological Impact		Productivity	
			Technology	
			Production Quality	
5	Equality		Welfare	
			Real income	
6	Social and Environmental Impact		Social Development	
			Environmental Impact	
7	Investment climate		Investment	
			Corruption	

Source: own work.

Each Pillar has its magnitude defined by the average of the impact of all the measures that define them. The impact of the free trade agreement on the developing country on each measure was assessed by our judgment, taking into account all the empirical evidence available. The judgment system, was done by classifying the impact on a scale from one to seven, where one means extremely negative impact and seven means extremely positive impact (four means a neutral impact).

The results of each pillar is shown graphically in a radar format, where it is easier to interpret the magnitude and the effectiveness of the free trade agreement by itself.

Country Profile Analysis tool – the same principle applies to assessing the magnitude from a country’s perspective, where we introduce the set of measures for the pillars, as seen below in Table 5.

Table 5: Country Profile Analysis tool

#	Pillars	Magnitude	Measure	Judgement	Source
1	Competitiveness		Institutions		WEF Competitiveness Index
			Infrastructure		WEF Competitiveness Index
			Macroeconomic environment		WEF Competitiveness Index
			Health and primary education		WEF Competitiveness Index

table continues

Table 5: Country Profile Analysis tool (continued)

#	Pillars	Magnitude	Measure	Judgement	Source
			Higher education and training		WEF Competitiveness Index
			Goods market efficiency		WEF Competitiveness Index
			Market size		WEF Competitiveness Index
			GDP Growth		Economic Forecast
2	Trade Profile		Trade Insights		WTO Report
3	Employment		Labour market efficiency		WEF Competitiveness Index
4	Technological Profile		Technological readiness		WEF Competitiveness Index
			Business sophistication		WEF Competitiveness Index
			Innovation		WEF Competitiveness Index
5	Equality		Human Development		Human Development Index
			Inequality		Human Development Index
6	Social and Environmental Profile		Quality of the Community		OECD - Better Life Index
			Civic Engagement		OECD - Better Life Index
			Life Satisfaction		OECD - Better Life Index
			Quality of Environment		OECD - Better Life Index
7	Investment climate		Investment level		Economic Forecast
			Financial market development		WEF Competitiveness Index

Source: own work.

Similarly, each pillar/aspect has its magnitude defined by the average of the impact of all the measures that define them. The same classification scale applies.

It is important to note that our judgment/score depends on the empirical evidence, as it can be seen in the table, where each measure that defines an aspect/pillar is based on either an index of an international organization or an economic forecast. The sources include: Competitiveness Index, by the World Economic Forum; Human Development Index, by United Nations; Better Life Index, by OECD; World Trade Organization Reports; economic forecasts and other national statistics.

Perception Analysis. We prepared an electronic survey, which was launched with the support of social media, consisting of 31 conceptual questions (see Table 6) that are straightforward related with each of the hypothesis we have set, in order to analyse the perception of the people towards free trade agreements regarding the competitiveness, trade impact, employment, technological impact, equality, social and environmental impact and investment climate. The survey is a Likert scale from 1 to 7, and the hypothesis testing is linked to the measures described in the pillars matrix analysis and country profile analysis. The horizon of the survey is broad, planning to reach a high level of answers from all the corners of the globe.

Besides the questions that are straightforward related with each of the hypothesis we have set, the survey also includes demographic questions, such us: age, nationality, ethnicity (white, Hispanic or Latino, black, Asian), place of residence (capital city, regional town, countryside), education, household composition, professional and employment status.

We conducted a traditional approach, applying SPSS software on primary data from the survey, and testing the hypothesis. We also analysed external secondary sources and primary sources from the focus group and interview. Our qualitative research was carried out with a focus group, whereas we invited six persons from different continents (taking the opportunity of Ljubljana as an international city) and we asked about their perceptions, opinions and attitudes towards free trade agreements regarding the competitiveness, trade impact, employment, technological impact, equality, social and environmental impact and investment climate. We also organized two in-depth interviews, with people involved in the spheres of international relations and economics, to gain a deeper insight of the topic.

Table 6: Sub-hypothesis

Component	Question
1Comp1	FTA between developed countries and developing countries will improve the economic growth of the developing country.
1Comp2	FTA between developed countries and developing countries will have a positive impact on the Political Stability of the developing country.
1Comp3	FTA between developed countries and developing countries will NOT diminish the performance of the National Industry (core sector) of the developing country.
1Comp4	FTA between developed countries and developing countries will have a positive impact on institutions level of the developing country.
1Comp5	FTA between developed countries and developing countries will have a positive impact on infrastructure of the developing country.
1Comp6	FTA between developed countries and developing countries will have a positive impact on the stability of the macroeconomic environment of the developing country.
1Comp7	FTA between developed countries and developing countries will have a positive impact on the education and training system of the developing country.
1Comp8	FTA between developed countries and developing countries will increase the efficiency of the goods and services market of the developing country.
2Trad1	FTA between developed countries and developing countries will boost the trade of the developing country
2Trad2	FTA between developed countries and developing countries will boost the exports of the developing country.
2Trad3	FTA between developed countries and developing countries will make increase the imports of the developing country.
2Trad4	FTA between developed countries and developing countries will diminish the administrative barriers, and help a developing country.

table continues

Table 6: Sub-hypothesis (continued)

Component	Question
2Trad5	FTA between developed countries and developing countries will NOT have a negative effect on a developing country due to the exchange rate.
3Empl1	FTA between developed countries and developing countries will boost the employment rate of the developing country.
3Empl2	FTA between developed countries and developing countries will increase the efficiency of the labour market of the developing country.
4Tecn1	FTA between developed countries and developing countries will boost the productivity of the developing country.
4Tecn2	FTA between developed countries and developing countries will have a positive technological impact on the developing country.
4Tecn3	FTA between developed countries and developing countries will have a positive impact on the production quality of the developing country.
4Tecn4	FTA between developed countries and developing countries will have a positive impact on the way of doing business of the developing country.
4Tecn5	FTA between developed countries and developing countries will bring innovation to the developing country.
5Equa1	FTA between developed countries and developing countries will increase the welfare of the developing country.
5Equa2	FTA between developed countries and developing countries will increase the real income of the developing country.
5Equa3	FTA between developed countries and developing countries will improve the human development of the developing country.
5Equa4	FTA between developed countries and developing countries will reduce the inequalities across the society of the developing country.
6SoEn1	FTA between developed countries and developing countries will have a positive impact on the social development of the developing country.
6SoEn2	FTA between developed countries and developing countries will have a positive environmental impact on the developing country.
6SoEn3	FTA between developed countries and developing countries will improve the quality of the community of the developing country.
6SoEn4	FTA between developed countries and developing countries will have a positive impact on the life satisfaction of the developing country.
7Inve1	FTA between developed countries and developing countries will improve the investment climate of the developing country.
7Inve2	FTA between developed countries and developing countries will reduce the corruption level of the developing country.
7Inve3	FTA between developed countries and developing countries will boost the financial market development of the developing country.

Source: own work.

After obtaining the survey results the following analyses were performed:

1. **Compare Mean Analysis with a graphical representation** to compare the results of each Hypothesis for two different groups (citizens from developed and citizens from developing countries), for each pillar and for each of the pillars' components.
2. Calculated and demonstrated the **average perception** of the people (developed countries, developing countries and combined) about free trade and its effects.

2.2 Limitations

Throughout our research we were facing a considerable number of divergent limitations;

- First was the **geographic constraint** to receive a larger number of survey answers from all over the world. Not to mention that we were targeting a very diverse group of people, with the intention to obtain answers from the wide socio-economic span. Therefore, we felt a severe pressure and did our best to receive the 403 valid responses from both developed and developing countries.
- Secondly, we were faced with the **budget constraint**. Since we had a limited budget, for which we took care ourselves, we were not able to gain access to expensive software and pay-per-access databases. This led to us using statistical software licensed to the Faculty of Economics (IBM SPSS Software) and, most significantly, not having access to databases and econometrical software by Global Trade Analysis Project – Computable General Equilibrium (hereinafter, CGE) Modelling. This limitation was overcome by using open sources and public reports by the European Commission, which included data extracted with such econometrical software and which specifically related to our topics of research.
- **Survey access (technological) limitations** we encountered included difficult access to computers and internet in Latin America and Africa. In order to overcome this constraint, we conducted telephone surveying and face-to-face surveying, which allowed us to collect necessary data from all regions.
- **Language limitation** was another constraint we encountered when collecting data. A number of respondents, especially from Latin America and former Soviet Union countries, had difficulties understanding English survey questions. In order to overcome this constraint we translated the survey into other languages to get responses from the respective regions.

3 EU AND CHILE FREE TRADE CONTEXT

3.1 Overview of the EU Free Trade Policy

While 2016 saw a strong trend against globalization and openness, with calls for re-establishing borders and building new walls, it is difficult to imagine the world actually giving up on global integration processes. The European Union has been at the forefront of globalization, and to a great deal this reflected on its trade policy.

In her public speech on 24 January 2017, the EU Trade Commissioner Cecilia Malmström stressed on the fact that the EU still believes in open societies, and the only way to respond to the rising public interest and concerns about trade agreements is “with a trade policy

that is effective, transparent, and based on our values” (Bruegel, 2017). At the moment, the EU is the world’s largest trading bloc, roughly accounting for one fifth of global trade (WTO, 2016). This extensive trade shapes EU’s economy and much of its general societal development.

The European Commission report on jobs outlined that over 31 million jobs in the EU are supported by the EU exports to other countries. The employment dynamics shows that the number of such export oriented jobs increased by 67% between 1995 and 2015, thus adding 12.5 million additional jobs due to EU’s foreign trade expansion. And these figures do not include those jobs that depend on imports and the trade within the internal market itself. What adds to the importance of exports for the employment market is that export-related positions are on average better paid than the jobs in the rest of the economy. The benefits of foreign trade are not just solely concentrated in the most export-oriented EU economies, but spread to all EU member states. People may be working in companies that sell directly outside the EU or in companies involved in supply chains and provide input products for the exporters. Such companies are located not just in the country export products originate from, but in other member states as well (European Commission, 2015a).

As global value chains develop and extend, exports originating from EU support and improve employment in other countries as well. EU exports supported 19.2 million jobs outside its borders in 2011 (up almost 10 million from 1995). On average each billion euros of EU exports to the rest of the world supported around 8,600 jobs in the rest of the world (European Commission, 2015a). Trade is a force that induces positive not just in terms of employment. International trade, especially between more and less developed countries engages the latter ones to foster change, improve standards and borrow positive values. According to the EU Trade Commissioner, trade “is a way to help the poorest on the planet develop, grow, and improve their lives” (Bruegel, 2017).

It is no surprise that the EU pursues open markets in order to extend its trade network and minimize barriers. As of 2017, the EU had free trade agreements in force with over 60 countries, about half of which were applied provisionally (European Commission, 2017b). These trade agreements include deals with individual countries and groups of countries all over the world, each having a specific focus, which is often reflected in its name. EU has association agreements with the Balkan countries, deep and comprehensive free trade agreements with Ukraine, Georgia and Moldova, economic partnership agreements with African, Caribbean and nations of the Pacific region, free trade agreements with South Korea, South Africa and Mexico, etc.

Although every trade agreement contains elements that promote freer trade, EU’s motivation behind its trade deals often differs from case to case. While some trade

agreements were primarily motivated by the will to enhance economic development and political stability (in particular, in EU's neighbourhood), some were prompted by development policy objectives (often the case with partnership agreements with African nation), and some put the main emphasis on eliminating trade barriers (Woolcock, 2007). Table 7 shows all EU free trade agreements in place and the extent its provisions go beyond trade barriers – all the way to accepting a country into EU's general legal framework or the customs territory.

Table 7: List of free trade agreements in force

Country	Valid since	Cut tariff & non-tariff barriers	EU customs territory	Acquis¹
Kosovo	1 April 2016	Yes	No	No
Bosnia and Herzegovina	1 June 2015	Yes	No	No
Serbia	1 September 2013	Yes	No	No
Montenegro	1 May 2010	Yes	No	No
Albania	1 April 2009	Yes	No	No
FYR Macedonia	1 May 2004	Yes	No	No
Ukraine	1 January 2016*	Yes	No	No
Moldova	1 July 2016	Yes	No	No
Georgia	1 July 2016	Yes	No	No
Faroe Islands	1 January 1997	Yes	No	No
Norway	1 January 1994	Yes	No	Yes
Iceland	1 January 1994	Yes	No	Yes
Liechtenstein	1 May 1995	Yes	No	Yes
Switzerland	1 January 1973, 1999, 2004	Yes	Yes	No
Algeria	1 September 2005	Yes	No	No
Egypt	1 June 2004	Yes	No	No
Lebanon	1 April 2006	Yes	No	No
Jordan	1 May 2002	Yes	No	No
Israel	1 June 2000	Yes	No	No

table continues

¹ Application of the EU law, in particular related to competition, free movement of goods, capital, services and persons.

Table 7: List of free trade agreements in force (continued)

Country	Valid since	Cut tariff & non-tariff barriers	EU customs territory	Acquis ²
Morocco	1 March 2000	Yes	No	No
Tunisia	1 March 1998	Yes	No	No
Palestinian Authority	1 July 1997	Yes	No	No
Syria	1 July 1977	Yes	No	No
Colombia	1 August 2013*	Yes	No	No
Peru	1 March 2013*	Yes	No	No
Costa Rica	1 October 2013*	Yes	No	No
Guatemala	1 December 2013*	Yes	No	No
Honduras	1 August 2013*	Yes	No	No
Nicaragua	1 August 2013*	Yes	No	No
Panama	1 August 2013*	Yes	No	No
El Salvador	1 October 2013*	Yes	No	No
Turkey	31 December 1995	Yes	No	No
San Marino	1 December 1992	Yes	No	No
Andorra	1 July 1991	Yes	No	No
South Korea	13 December 2015	Yes	No	No
South Africa	1 May 2004	Yes	No	No
Mexico	1 October 2000	Yes	No	No
Chile	1 February 2003 (trade) / 1 March 2005 (full)	Yes	No	No
Cameroon	4 August 2014*	Yes	No	No
Madagascar	14 May 2012*	Yes	No	No
Mauritius	14 May 2012*	Yes	No	No
Seychelles	14 May 2012*	Yes	No	No
Zimbabwe	14 May 2012*	Yes	No	No
Ivory Coast	3 September 2016*	Yes	No	No
CARIFORUM States	29 December 2016*	Yes	No	No

table continues

² Application of the EU law, in particular related to competition, free movement of goods, capital, services and persons.

Table 7: List of free trade agreements in force (continued)

Country	Valid since	Cut tariff & non-tariff barriers	EU customs territory	Acquis ³
Papua New Guinea	1 January 2008* (implemented 2011)	Yes	No	No
Fiji	1 January 2008*	Yes	No	No
Iraq	1 August 2012*	Yes	No	No

*Provisional application.

Source: European Commission (2017c).

3.2 Chile and the Free Trade Agreement with the EU

It is argued that Chile inherited a very liberal and open market economy, which boasted very favourable conditions for foreign investors. This legacy came from the time the country was ruled under Pinochet's dictatorship from 1973 until 1990. The neo-liberal reforms undertaken by the military government led to currency stabilization and widespread privatization of public enterprises, although they also contributed to economic inequality (Angell, 1991). Nevertheless, it is largely due to these reforms, that Chile's economy showed the best performance among the countries of South America in the 1990s (Leonard, 2005).

After the Chilean democracy has been restored, the country started a new era building a strong legal system on top of the already liberal market. The reduction in tariffs together with the investor-friendly business environment led to an increase in trade and attraction of foreign direct investments in the 1990s. It came natural that at the end of the last decade of the XX century, Chile and the European Union started talks about a trade agreement. It took EU and Chile four years to agree on the Free Trade Agreement, which at the time of its signing became EU's most comprehensive FTA with any third country (Garcia, 2004).

EU and Chile signed the Association Agreement on November 18, 2002. Even though the deal came fully into force on March 1, 2005, some of the provisions regarding trade in goods were enforced on a provisional basis as early as February 1, 2003. The trade agreement contains a very broad set of norms, regulating trade-related issues. An important part relates to the protection of names of origin, issues related to sanitary and phytosanitary standards (hereinafter, SPS standards) that are not covered by the WTO

³ Application of the EU law, in particular related to competition, free movement of goods, capital, services and persons.

rules. The agreement also provides for comprehensive commitments to liberalize trade in services, as well as to regulate the right of establishment. Particular notice was taken of the institutional factors facilitating trade. These include aspects related to management, technical standards and legal regulation. Easing up the provisions regulating capital flows was another important part of the Free Trade Agreement between Chile and EU, which was meant to increase foreign investment, especially on the side of Chile. The deal also described the new rules on access to public procurement and established enhanced rules on the protection of intellectual property. In essence, the agreement eliminates barriers to trade, establishes clear, stable and transparent rules for exporters, importers and investors. It also bound to create a free trade area in goods, services and government procurement and liberalizes investment and capital flows (European Commission, 2017a). Despite this, the agreement appears to have had no consistent effect on EU-Chile investment flows, and the composition of these flows into Chile has remained rather stable, with copper mining receiving approximately 45% of all inflows and financial services and retail divvying up the rest. For public procurement, Chilean firms have not benefitted particularly from the EU procurement market, with a single Chilean winner of all EU bids from 2009 to 2015. From the Chilean side, an analysis of winners of Chilean tenders from 2009 to 2016 shows a similar result, with foreign bidders making up 0.001% of all successful bids. Increased liberalization of public procurement is not expected to alter these trends substantially, given difficulties in transportation costs and administrative discretion in Chile (European Commission, 2017b).

It is important to mention that both parties created an Association Committee and Special Committees. This was done within the framework of the EU-Chile Association Agreement. The Association Committee and related Special Committees meet once a year to review the implementation of the FTA and address all relevant FTA-related issues (European Commission, 2017a). Despite the variety of areas covered, tariff provisions still play a central role. They are decisive in determining the trade effects of the Agreement. Taking advantage of the most detailed information available for protection and trade, this report sheds light on the nature of tariff concessions and on their potential trade impacts. The contrast across partners is stark not only as far as economic size is concerned, but also in the areas of protection and trade patterns.

The EU tariff elimination schedules include full liberalization for manufactured products, either immediately or within 3 years. This is potentially a very large benefit for Chilean exporters. However, European protection under the Most Favoured Nation (hereinafter MFN) regime is low for these products and Chile's export potential has remained limited so far. Ores and copper products, important in Chile's exports, are almost not protected at all in the EU market. For agricultural, food and fisheries products, more exemptions from the principle of complete liberalization are made, and a significant part of the liberalization commitments were delayed by 7 to 10 years. This is, however, where the

main stakes seem to lie for Chilean exporters. Their export potential is strong for some of these products, in particular fruits, wines and fishery products, where EU's protection is significant. The comparative analysis of bilateral trade flows suggests that significant trade creation is likely to have occurred in these products, where Chile's export performance seems to be meaningfully related to tariff cuts.

Chilean protection is very different, with an almost-uniform MFN rate of 6%, and a multiplication of bilateral trade agreements, many of which are still being phased in. Chile's tariff elimination schedules are comprehensive and for the most part, they were implemented early after the entry into force of the FTA. Still, the benefits for the EU's exporters are difficult to ascertain based on descriptive statistics, especially for two reasons.

The lack of contrast across products makes it difficult to draw conclusions out of the comparison of outcomes between sectors more or less liberalized and the changing market access conditions offered to the EU's competitors in Chile's market blur the comparison across countries. The EU's market shares in Chilean imports tended to decline since the Agreement was enforced, but this was a period where EU exports were outpaced by a large margin by exports from more economically dynamic regions, and several agreements were being phased-in by Chile. The Agreement is likely to have prevented the EU's market shares in the Chilean market from falling substantially further (ITAQA, 2012).

3.3 Problematic Factors of Doing Business with Chile

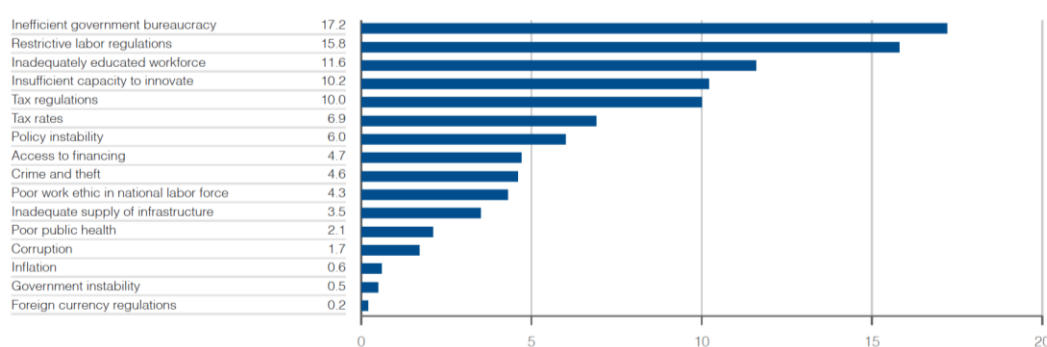
If we compare the structured analysis that is behind the Global Competitiveness Index with the Executive Opinion Survey (World Economic Forum, 2016), we find points of conflict, which are more than logical: in the Global Competitiveness Index there are hard data and macroeconomic analysis behind, while in the Survey there is merely perception, while the mentality and the psychological approach towards the country have a huge impact. It is important to note that respondents, Chileans, to the World Economic Forum's Executive Opinion Survey (World Economic Forum, 2016) were asked to select the five most problematic factors for doing business in Chile (from a given list) and rank them between 1 (most problematic) and 5. The score corresponds to the responses weighted according to their rankings.

As it is seen on Figure 2, the inefficient government bureaucracy (17,2 out of 20), the restrictive labour regulations (15,8 out of 20) and the inadequately educated workforce (11,6 out of 20) were pointed out as the three main problematic factors for doing business in Chile, followed by the insufficient capacity to innovate (10,2 out of 20) and the tax regulations (10 out of 20). If we compare them with what is shown under the Global Competitiveness Index, Institutions (ranked 35 in the world), labour market efficiency

(ranked 52 in the world), higher education and training (ranked 28 in the world), innovation (ranked 63 in the world) and macroeconomic environment (ranked 32 in the world) are far enough from a potential barrier which could influence negatively at the moment on doing business with Chile.

Foreign currency regulations (0,2 out of 20), government instability (0,5 out of 20), inflation (0,6 out of 20), corruption (1,7 out of 20), public health (2,1 out of 20) and infrastructure (3,5 out of 20) were the least problematic factors for doing business in Chile mentioned in the Survey, which reflects somehow the results shown under the Global Competitiveness Index.

Figure 2: Problematic factors of doing business with Chile



Note: From the list of factors, respondents to the World Economic Forum's Executive Opinion Survey were asked to select the five most problematic factors for doing business in their country and to rank them between 1 (most problematic) and 5. The score corresponds to the responses weighted according to their rankings.

Source: World Economic Forum (2017).

3.4 Pillar Matrix and Country Profile Analysis

By using the Pillar Matrix and Country Profile Analysis we explore Chile's capabilities to make use of the free trade agreement and how the free trade agreement actually impacted Chile. We have gathered empirical evidence and conducted the analysis in order to get the magnitude of the impact on each aspect, be that the country's natural environment, legal bureaucracy or GDP growth.

When looking at the empirical evidence of the impact of the free trade agreement, we mainly sourced information from the European Commission report on this particular matter. The information disclosed by the European Commission was carefully studied and assessed on a one to seven scale, where one means extremely negative impact and seven means extremely positive impact (four means a neutral impact).

3.4.1 Competitiveness – Country and FTA Insight

Overall, Chile has shown a stable trend over the past five years, ranked 33rd most competitive country, out of the examined 138 countries (World Economic Forum, 2017).

In order to analyse the competitiveness of Chile in detail, we will base the analysis on the Global Competitiveness Index (World Economic Forum, 2017), in particular regarding to: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency and market size. We also look at the GDP growth.

Chile shows quite a good profile at the institutions level, in both public and private fields. At the private level, the property rights are well established, the ethics and corruption levels are at a pretty decent level, the public sector is performing well and is stable, the risk of undue influence is low, and its security level is quite high. At the private level, Chile is recognized for its high performance in accountability (mainly due to the efficacy of its corporate boards, and the strength of auditing and reporting standards) and corporate ethics.

Chile's infrastructure is ranked 44th, due to the strength of the electricity and telephony structure, but with the main downside of its transport infrastructure, where the quality of railroad infrastructure is quite low (roads, port and airport are ranked way higher).

Even though it has shown a declining trend, Chile's macroeconomic environment is ranked higher, 32rd, being in the top ten regarding the government debt and in the top 25 of the country credit rating, but with some downsides: its gross national savings and inflation rates rank Chile almost on the middle of the table.

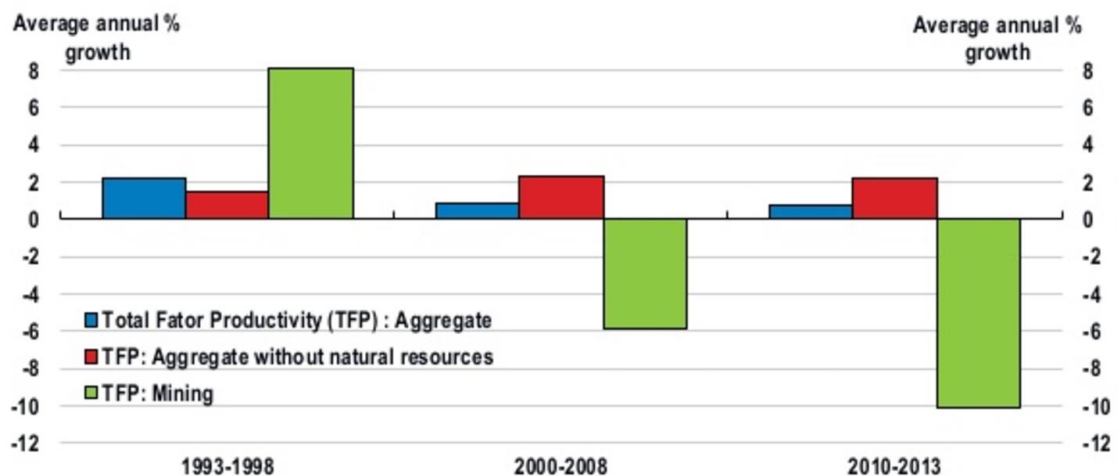
Regarding health, education and training, Chile scores 6,9 out of 7, with a high life expectancy and very low business risk related to illness. Even though its primary education is ranked a bit higher than the average (due to its poor quality), Chile does way better on higher education and training, showing a higher quality of the education system (especially management and business) and high local availability of specialized training systems along with a high extent of staff training.

We can say that Chile's goods market is efficient, ranking 44th. Chile competition profile is ranked 42nd, due to the high effectiveness of antimonopoly police, a quite good fiscal pressure (total tax rate), its timing to start a business, and extremely successful agricultural policies. When talking about the foreign competition, where Chile ranks 28, we have to highlight the prevalence of non-tariff barriers, the prevalence of foreign ownership and the business impact of rules on FDI, the only negative aspect is the lower level of imports as a percentage of GDP (ranking 101). Regarding to the quality of demand conditions, Chile is above the average score on the degree of customer orientation, and it is also shown as high degree of business sophistication (being ranked 38).

Chile's market size is ranked 44, with no relevant gap between the domestic and foreign market size (the first one ranked 41 and the second one 46). It shows an increasing and positive trend of the GDP (PPP) over the years, being among the best 50 countries. The downside is the level of exports on the total of the GDP, which ranks Chile as 83.

Talking in general about its competitiveness, Chile has shown a moderated economic growth in 2016, especially due to the weaker commodity prices and external demand. Its consumer and business confidence have been fragile. As an effect of the stronger global economy, and a gradual investment and private consumption recovery, the growth is projected to edge up in 2017 and 2018, while the inflation will be under the range set by the Central Bank. (OECD, 2016). The productivity growth is one of Chile's foremost challenge to raise living standards (see Figure 3) (OECD, 2015).

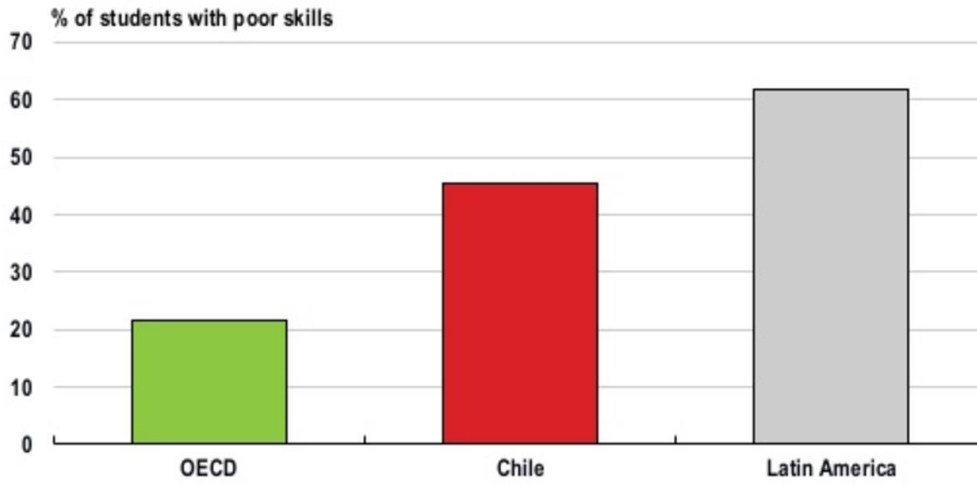
Figure 3: Productivity. Total factor productivity



Source: OECD (2015).

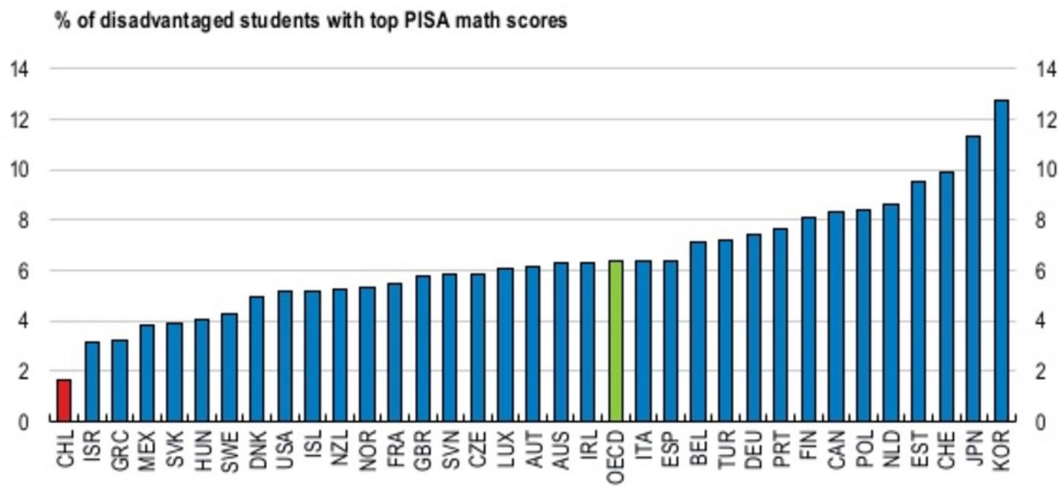
In terms of education, 45% of Chilean students lack minimum skills, a bit higher than the average registered in OECD, 20% approximately. The schools could be more responsive to vulnerable students, and there are place for improvement in terms of labour market needs (see Figure 4). There is a low share of students that beat the socio-economic odds stacked against them: a lit bit less than 2% of Chilean disadvantaged students with top math scores based on the Program for International Student Assessment, while OECD average is a little bit more than 6% (see Figure 5). Chile has a shortage of qualified teachers: 20% of Chilean professors are certified teachers. There is a poor tertiary education enrolling, 35% approximately, far less than the rich, which reaches 90% (see Figure 6) (OECD, 2015).

Figure 4: Education. Students with poor skills



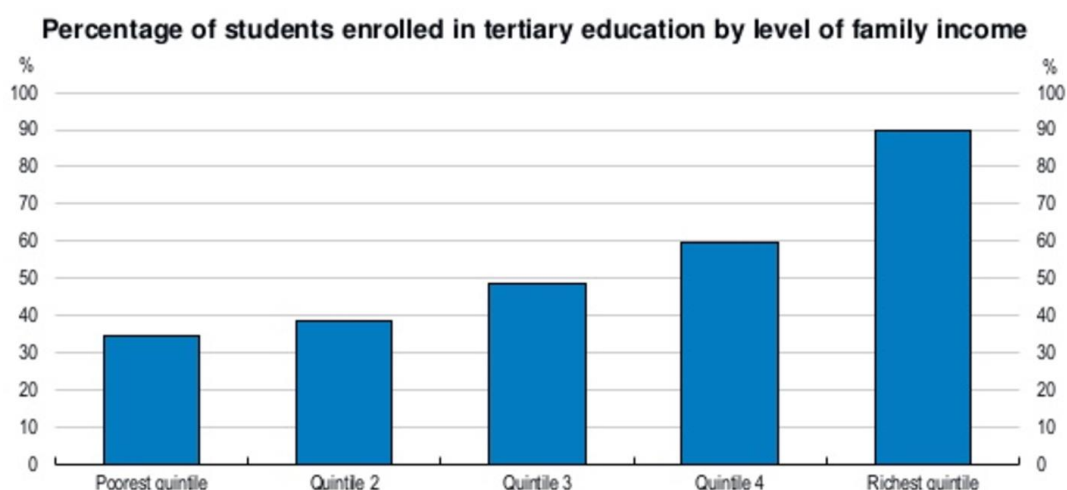
Source: OECD (2015).

Figure 5: Education. Disadvantaged students



Source: OECD (2015).

Figure 6: Education. Students enrolled in tertiary education by level of family income



Source: OECD (2015).

As per the EU-Chile FTA, and as it is shown under the Table XX, the most relevant impact in terms of competitiveness is the increase of 0,05% of the Chile's GDP following the FTA's implementation.

Table 8: Competitiveness – FTA Insights

Variable	Measure	Evidence	Judgement
GDP	GDP Growth	At the macroeconomic level, the EU-Chile FTA represents a small gain for Chile's economy as GDP increases by 0.05%.	6
Institutions	Political Stability	The Joint Management Committee on Sanitary and Phytosanitary Measures, held meetings regularly from when the EU-Chile FTA went into effect until the present. These meetings have allowed for a systematic dialogue on issues of bilateral interest and have contributed to the gradual resolution of various issues that limited flows of food trade between the two parties. The adoption of biennial action plans has led to greater consistency in defining the bilateral agendas and facilitated the development and monitoring of the implementation of commitments. The partnership has also established mutual trust between institutions. This is reflected in the various protocols agreed to in past years, covering diverse areas such as regionalization criteria, early warning mechanisms for plant and animal health risks.	6
Standards	Political Stability	The wide-ranging set of rules regarding a variety of trade-related issues is an important part of the EU-Chile FTA. Even though the blueprint of the EU's agreements has evolved since 2002, the ambition of these rules deserves emphasis. The provisions regarding SPS measures, technical standards and wines and spirits particularly required substantial adjustment on the Chilean side, given the higher EU standards when the Agreement was implemented. More generally, the rules set out in the EU-Chile FTA required an efficient dialogue between both parties, and putting them into practice demanded significant effort.	6
Standards	Political Stability	The institutional structure set up by the EU-Chile FTA has been put into practice effectively, apparently at the satisfaction of contracting parties. Many technical issues have been raised (in particular regarding SPS measures and technical standards), but all were solved through dialogue, as a result of mutual efforts. Use of the planned dispute settlement mechanism never proved necessary.	6

table continues

Table 8: Competitiveness – FTA Insights (continued)

Variable	Measure	Evidence	Judgement
Exports	Exports	The most important impacts on Chilean exports to the EU are concentrated in agricultural and food products. The largest export gains are registered in wines (+128%).	6
Exports	Exports	As a whole, goods exports to the EU increased by 21%.	6
Exports	Exports	The balance is clearly positive for agricultural and food products in general, and in particular for those products which for exports to the EU most benefited from the EU-Chile FTA. Output rises 22% in fruit growing, 34% in wine making, 17% in seafood processing and 12% in extractive fishing. Indeed, these four sectors concentrate the bulk of Chile's output gains, which remain limited in other sectors.	5

Note: Includes CGE (Computable General Equilibrium) simulations done with GTAP (Global Trade Analysis Project).

Source: ITAQA (2012).

3.4.2 Trade Profile – Country and FTA Insights

Chile as an exporter is ranked 41 for merchandise and 57 for commercial services, and as an importer 44 for merchandise and 51 for commercial services. Chile's GDP in 2015 was USD 240.216 million (current), with a current account balance of -2,4% of the GDP (2013-2015). The trade per capita was USD 4.629 (2013-2015). The Trade represented 31,8% of the GDP (2013-2015) (The World Trade Organization, 2015). On the merchandise field Chile has shown exports of USD 63.362 million (FOB) and imports of USD 63.039 million (CIF). The share in world total exports and world total imports was 0,38%. Fuels and mining products (54% of merchandise exports) and agricultural products (31,1% of merchandise exports) were the two main commodity groups on the total economy's merchandise exports. Japan (38,8% of merchandise exports) and China (26,3% of merchandise exports) were the two main destinations, while European Union was right behind (13,2% of merchandise exports). Manufactures, covering almost 75% of the total economy's merchandise imports were the main commodity group imported. Brazil (34,8% of merchandise imports) and China (23,5% of merchandise imports) were the two main origin, while European Union was the 4th, after United States, with 18,7% of merchandise imports. As we could imagine, wine of fresh grapes and grapes, fresh or dried, were the two top products exported (reporting a value of USD 1.843 million the first one, and USD 1.486 million the second one). Bovine meat, fresh, chilled, was the top imported product, reporting a value of USD 755 million.

On the commercial services field Chile has shown exports of USD 9.737 million and imports of USD 13.444 million. The share in world total exports was 0,20% while the share in world total imports was 0,29%. Transport (35,2% of commercial services exports) and travel (24,7% of commercial services exports) were the two main service items on the total economy's commercial service exports. Transport (36,2% of commercial services imports) and travel (15,1% of commercial services imports) were

the two main service items on the total economy's commercial service imports. The World Trade Organization neither has track of exports destinations and imports origin, nor a relevant breakdown analysis of commercial services.

As it is shown under the Table 9, the EU-Chile FTA represents a trade growth in both directions, with a widening surplus for the EU. Specifically, Chile's biggest beneficiaries are the fruit growers (with a 22% increase in output), the wine makers (with a 34% increase in output) and seafood producers (with a 17% increase in output).

Table 9: Trade profile – FTA Insights

Variable	Measure	Evidence	Judgement
Bilateral Trade	Trade	The results suggest that the EU-Chile FTA had a significant impact on bilateral trade. In 2009, EU imports from Chile would be lower by approximately EUR 500M if Chile were applied to the GSP regime instead of the EU-Chile FTA, a decline of about 15% compared to the observed level for non-copper, non-ores products.	7
Bilateral Trade	Trade	Chile initially exhibits a surplus in its trade relations with the EU. As a result, a lower relative growth in bilateral exports may match in absolute term the growth in imports. This is not the case here, since the growth rate of total bilateral imports exceeds that of bilateral exports by a rather large amount. The stronger diversion effects on the import side than on the export side explain why this is compatible with an unchanged current account balance: the decline in the bilateral trade balance of Chile with the EU is balanced by its increase with respect to third countries.	5
Bilateral Trade	Trade	EU was the destination of more than 22% of Chile's exports in 2008, making it the leading Chilean export market at that time, and it supplied almost 13% of its imports (ranking second to the US). Add to this the very high trade-to-GDP ratio in Chile (75% in 2008), and it becomes clear from the outset that the stakes of the EU-Chile FTA are far larger in relative terms for Chile than for the EU, and that general equilibrium relationships may be worth taking into account.	7
Exports	Exports	EU-Chile FTA is estimated to have increased EU exports to Chile by between two thirds and four thirds.	3
Exports	Exports	The most important impacts on Chilean exports to the EU are concentrated in agricultural and food products. The largest export gains are registered in wines (+128%).	6
Exports	Exports	As a whole, goods exports to the EU increased by 21%.	6
Exports	Exports	On the whole, trade diversion effects dominate slightly: Chilean exports are decreased by almost 3% toward other Latin American countries, and by 1% toward the US and the rest of the world	4
Exports	Exports	The balance is clearly positive for agricultural and food products in general, and in particular for those products which for exports to the EU most benefited from the EU-Chile FTA. Output rises 22% in fruit growing, 34% in wine making, 17% in seafood processing and 12% in extractive fishing. Indeed, these four sectors concentrate the bulk of Chile's output gains, which remain limited in other sectors.	5
Imports	Imports	Absent an agreement, EU exports to Chile might well have dropped significantly in relative terms, in a context where Chile was phasing in trade agreements with a large number of partners.	5
Imports	Imports	The EU-Chile FTA's impacts on Chilean imports are far smaller across sectors, as a result of far less heterogeneity in Chilean tariff protection. In most cases, the EU-Chile FTA enforcement meant a cut in tariff duty from 6%, the level that would have been applied in 2002 without the EU-Chile FTA, to an average level below 1%, and often close to zero by 2008. The resulting impact on the EU's exports to Chile is assessed to be strong: +30% to +55% in agricultural and food sectors, the importance of which is very limited in the EU's exports to Chile, and 40% to 105% in industrial sectors. Overall, Chilean imports from the EU increase by 65%, which corresponds to an annual average growth rate of almost 9%.	2
Imports	Imports	EU-Chile FTA is estimated to have increased EU imports from Chile by a quarter. Wines and fruits are the sectors which benefited most.	5

table continues

Table 9: Trade profile – FTA Insights (continued)

Variable	Measure	Evidence	Judgement
Imports	Imports	In manufacturing sectors, where the market share of European products is often large, this implies significant trade diversion effects. The most important sector in this respect is machinery, having a weight of 14% of total Chilean imports, where the EU-Chile FTA is assessed to increase imports from the EU by 75%, inducing a decline in imports from third countries by more than one quarter. Consistent with this strong impact, the share of this sector in EU exports to Chile increased from 30% in 2002 to 41% in 2008.	6
Imports	Imports	On the whole, trade diversion effects are significant. Imports from other Latin American countries fall by 6%, those from the rest of the world by 8%. Imports from the US, with a structure closer to those from the EU, are even more strongly affected (-16%).	4
Imports	Imports	In contrast, increased import competition is more strongly felt in industrial sectors, with negative consequences for output: -18% for other machinery products (a small sector accounting for only 0.8% of Chilean output in 2002 and for 0.6% in 2008, though), -7% for timber and furniture, -6% for the chemical industry, -5% for paper and printing, -5% for transport equipment, -4% for the basic metal and plastic industries. ²⁷ In services, output falls marginally in most sectors.	2
Exchange Rate	Exchange Rate	In this medium- to long-run assessment, the real exchange rate adjusts, given the assumption that the current account balance remains unchanged. This adjustment is very small in the present case, implying a real depreciation of the Chilean peso by 0.06%.	4
Exchange Rate	Exchange Rate	In the short-run, it is highly uncertain that the real exchange rate would adjust. It is thus worthwhile to carry out a shorter-term assessment based on the assumption that the real exchange rate is exogenous, while the current account balance adjusts to the shock. However, given the very small size of the EU-Chile FTA's impact on Chile's real exchange rate (a depreciation by 0.06%) this alternative closure does not substantially alter the estimated impact. This is confirmed, especially in terms of welfare (+0.29%), and the production factors' relative rewards. In this case, the trade balance deteriorates by approximately USD 230 million (11.5% of its initial value). Even the impacts on foreign trade are hardly changed.	4
Bilateral Trade	Trade	The general pattern of EU-Chile bilateral trade in services since 2001 is marked by a steady growth in both directions, together with a widening surplus for the EU. The orders of magnitude are rather spectacular, since the EU's export of services to Chile increased almost fivefold between 2001 and their peak in 2007, from 588 to EUR 2,843 million. By 2009, they had declined to EUR 2,143 million. These are substantial amounts as compared to goods exports (EUR 4,767 million in 2007, almost EUR 6 billion in 2010). Chilean exports to the EU also surged, from EUR 621 million in 2001 to EUR 1,870 million in 2008, and almost EUR 1,200 million in 2009.	4
Bilateral Trade	Trade	While exchanges were more or less balanced in 2001, EU bilateral exports have regularly been about two times larger than bilateral imports, starting from 2004. The result has been a substantial surplus in recent years, amounting to EUR 1,445 million in 2007 and still EUR 950 million in 2009. This is both substantial in absolute value and in stark contrast with the deficits recorded by the EU in trade in goods with Chile.	4

table continues

Table 9: Trade profile – FTA Insights (continued)

Variable	Measure	Evidence	Judgement
Liberalisation	Administrative Barriers	A liberalisation index can be built to summarize this information. Following the method proposed in Hoekman (1996) and used for instance in Egger and Lanz (2008), this is done assigning the three commitment types unbound, bound and unrestricted values of 0, 0.5 and 1, respectively. Once this is done for each CPC subclass, index values for more aggregate categories are computed as simple means (both across subclasses and, when relevant, across modes). At the sector level, this methodology results in high indexes of liberalisation (above 80%) in distribution services, tourism and recreational services. The index level is intermediate in business services (54%) and transport services (44%), and it is lower than 40% in communication, construction, environmental and financial services.	6
Liberalisation	Administrative Barriers	Figure 18 illustrates this relationship between changes in the EU's exports to Chile (in log terms) and the degree of liberalisation through the FTA. This figure shows in particular that a group of business services (inter alia advertising, leasing, research and development, computer services) where the FTA commitments are deemed to convey significant liberalisation did experience steady growth between 2004 and 2009. "Other trade related services" (code 271) are the only exception in this respect.	5
Liberalisation	Administrative Barriers	The starting point was a high level of commitments under the GATS for the EU, and a relatively low level for Chile (although the domestic market of services was largely liberalised in practice). For the EU, the additional commitments made under the FTA resulted in a very high level of commitments, concerning most types of services in all sectors, outside health related, cultural or recreational, and transport services. As far as Chile is concerned, commitments remained limited in several sectors (construction, educational, environmental, health related services), and intermediate in communication and financial services. Still, the FTA brought significant additional commitments from Chile in distribution, recreational, tourism, business and transport services.	6
Liberalisation	Administrative Barriers	The results show that the EU's exports of services to Chile tended to increase more, following the entry into force of the FTA in those sectors where commitments brought a higher degree of (consolidation of) liberalisation. Whether this reflects a causal relationship is questionable. Appropriately taking into account trends which are not specific to the EU-Chile bilateral relationship suggests that this relationship may also reflect the fact that priority in FTA provisions was given to commitments in those service sectors with higher trade potential. Once exogenous trends are taken into account, our analysis also suggests that the EU's commitments in the FTA may have actually spurred Chilean exports of services to the EU.	5
Liberalisation	Administrative Barriers	The expansion of exports, together with the economic growth induced by trade liberalization, contribute to a higher demand for water. Such a scale effect is visible in the Santiago area where demand for water has increased more rapidly than local water supply	6
Exports	Exports	Simulations indeed suggest that the EU-Chile FTA has played a significant role in the expansion of the wine and fruits sectors (see Section 0). Both use large quantities of water and contribute to chemical pollution	2

Note: Includes CGE (Computable General Equilibrium) simulations done with GTAP (Global Trade Analysis Project).

Source: ITAQA (2012).

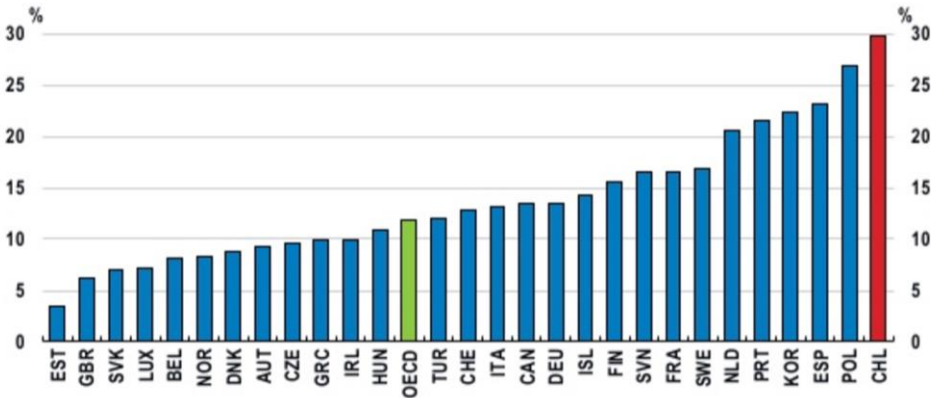
3.4.3 Employment – Country and FTA Insights

In order to analyse the employment profile of Chile, we have taken into account the labour market efficiency assessed by the Global Competitiveness Index (World Economic

Forum, 2017). Overall Chile is ranked 52 out of 138 countries in this topic, showing a moderate trend over the past years. The efficiency of the market is assessed by its flexibility and the efficient use of its talent. Chile’s flexibility on the wage determination (raking 5 on the world) along with the effect of taxation on incentives to work are two positive aspects we have to highlight. The negative side of Chilean labour market comes from its hiring and firing process (ranking 122 in the world) and the redundancy costs (ranking 112). The cooperation in labour-employer relation is well seen, scoring 4,5 out of 7. Regarding to the efficient use of the talent, Chile is known not just for its capacity to retain its talents but also for attracting talents from all over the globe. Chile’s pay and productivity linkage is quite good, scoring 4,3 out of 7, as well as its reliance on professional management is well seen (ranking 39 on the world). The aspect which seems to be developed further is the female participation in the labour force, which is ranked 91 in the world.

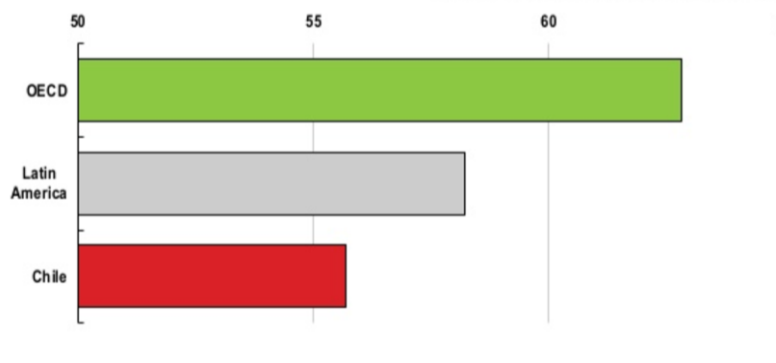
The inequality in the labour market is also high, where Chile clearly should try to reduce duality in the labour market between protected indefinite contracts and precarious fixed-term contracts (see Figure 7). Regarding to the labour force participation rate (2014) of women aged 15-64 is a bit more than 55%, while OECD Average is 63% approximately (see Figure 8). It is important to note the gender diversity in leadership positions, where very few women are on corporate boards: 5% approximately, when OECD average is 10% approximately (see Figure 9). In Chile, the gender pay gap is the highest for the poorest decile: 50% approximately (see Figure 10). Overall, Chile’ spending on active labour market policies is low, less than 0,5% of the GDP (see Figure 11) (OECD, 2015).

Figure 7: Employment. Share of temporary contracts



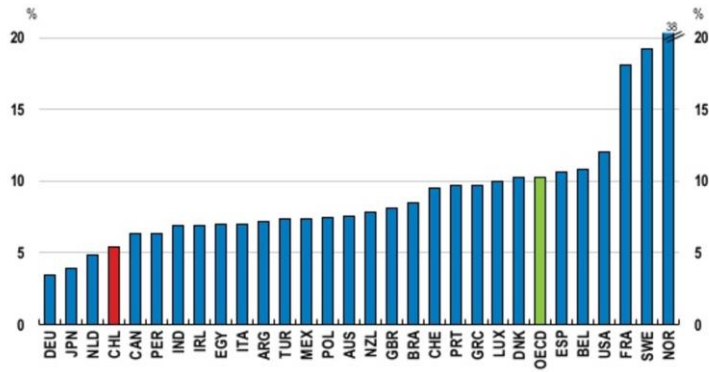
Source: OECD (2015).

Figure 8: Employment and the labour force participation, women aged 15-64



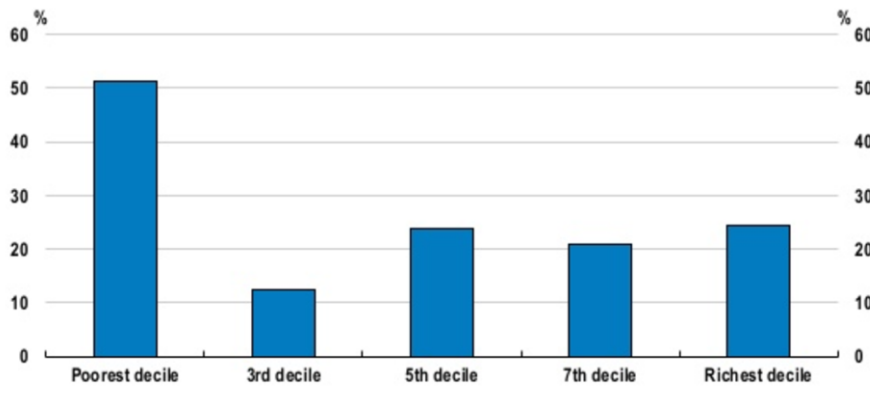
Source: OECD (2015).

Figure 9: Employment and the gender diversity in leadership positions



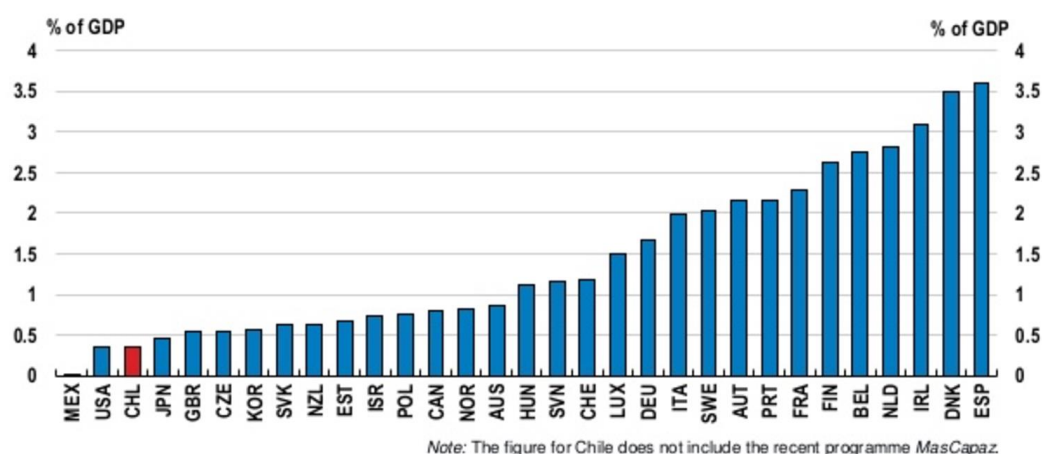
Source: OECD (2015).

Figure 10: Employment and the gender pay gap



Source: OECD (2015).

Figure 11: Employment and the spending on labour market policies



Source: OECD (2015).

The impact on the employment sphere is particularly difficult to be determined, especially because the numerous other determinants that are influencing. Table 10 shows that the EU-Chile FTA has led to higher income in the fruit, wine, aquaculture and mollusc sectors. It also foresees a +0,3% wage increase in low-skilled workers (mainly due to the intensive use in agricultural sectors).

Table 10: Employment – FTA Insights

Variable	Measure	Evidence	Judgement
Professionals	Unemployment	The FTA sets rules on domestic regulation, mutual recognition of professional qualifications, national treatment and market access, which improves mutual access to labour markets for both the EU and Chile.	3
Professionals	Unemployment	Chile actually left this mode of supply unbound across the board, except for the case of intra-firm transfers of senior and specialized personnel, under restrictive conditions, and notwithstanding the limitation to 15% on the share of foreign personnel in companies with more than 25 workers. For the EU, restrictions are unbound, “except for measures concerning the entry into and temporary stay within a Member State”, of specified categories of natural persons providing services. In addition, sector-specific restrictions, as specified on a case-by-case basis, may apply	3
Employment	Unemployment	Several social issues have been raised in the interviews that have been conducted in Chile. They relate to the impact of the EU-Chile FTA on jobs and salaries in those industries that have experienced the largest changes due to the Agreement, i.e. fruits, wine and seafood products. It is again difficult to isolate the consequence of the EU-Chile FTA from other determinants and from domestic social and labour policy. However, it seems that in the fruit, wine, aquaculture and mollusc sectors, the EU-Chile FTA has led to higher income, with visible positive consequences.	3
Employment	Unemployment	The FTA has also encouraged an absolute growth in women's employment but in low skilled and seasonal work, while contributing to the decline of traditional agriculture, which particularly affects women.	4

Note: Includes CGE (Computable General Equilibrium) simulations done with GTAP (Global Trade Analysis Project).

Source: ITAQA (2012).

3.4.4 Technological Profile – Country and FTA Insights

The technological profile of Chile is assessed by the Global Competitiveness Index (World Economic Forum, 2017), especially regarding to: Technological readiness, Business sophistication and Innovation.

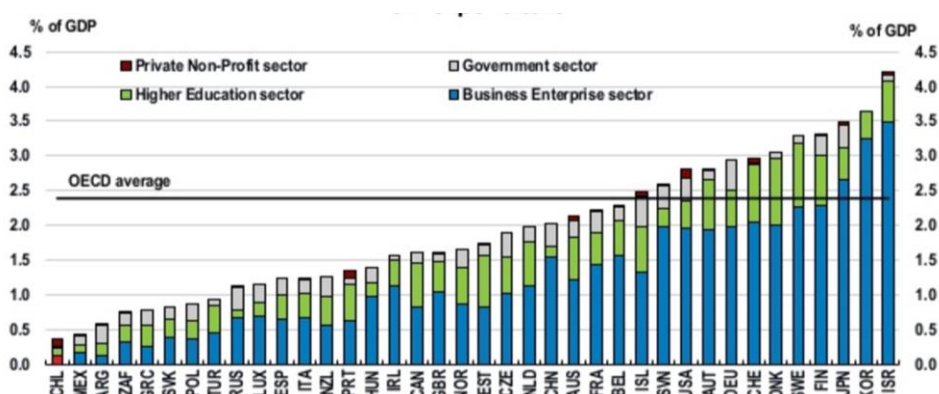
The availability of latest technologies, the technology absorption by firms and specially the foreign direct investment on technology (where Chile is ranked among the top 20 in the world) makes Chile to be seen as a pioneer country on the adoption of technologies. This goes along with a good and solid internet/mobile infrastructure, having one of the best 30 internet bandwidth in the world, and a wide number of internet users and mobile-broadband subscriptions.

Regarding to the business sophistication, Chile's local suppliers are seen as having a good quality, one of the best 40 in the world, even though there are some weak points in terms of the quantity of suppliers. The state cluster development (promoting economic development within the cluster by improving the competitiveness of one or several specific business sectors) is one of the weak points of Chile, along with a not really developed competitive advantage (the first one ranked 94 in the world and the second one ranked 86). Chile's production process sophistication is ranked among the 50 in the world, as its control of international distribution.

When it comes to Innovation, a contrast is clearly seen: the availability of scientists and engineers is pretty high, among the 25 in the world, the university- industry collaboration in R&D in Chile is on the average range among all the countries, and there is high quality of scientific research institutions (among the top 50 in the world), which somehow is reflected on high ratio of patents applications per population (among the top 50 in the world). The contrast comes from the fact that Chilean companies are among the least spending on R&D (ranked 108 out of 138). Chilean Government is also on the last place of the queue of procurement of advanced technological products (ranked 118 in the world). Overall, the capacity of innovation of Chile is ranked 89 in the world, showing some considerable space for improvement.

Chile' spending on R&D is very low, which diminishes the capabilities to scale up and support innovative activities (see Figure 12) (OECD, 2015).

Figure 12: Technological profile and the spending on R&D



Source: OECD (2015).

It is difficult to quantify the direct impact of the EU-Chile FTA on productivity. More business activity in the export sectors, and with a flow of direct investment, technology transfers are expected, especially in the water distribution and management sectors. This trade liberalization along with the positive changes in technology have reduced the pollution intensity, and enhanced corporate responsibility and promoted higher standards. The EU-Chile FTA insights in of this sphere are summarized under the Table 11.

Table 11: Technological Profile – FTA Insights

Variable	Measure	Evidence	Judgement
Efficiency	Productivity	It is difficult to measure and separate the effects of the FTA on efficiency, however, it is noted that the reshuffling of market shares across firms, as well as the entry and exit of some of them (which occurred after FTA implementation), often originate substantial efficiency gains.	5
Technology	Technology	The impact on technology, information or organisation of industries is greater than that on productivity. In this context, the direction of changes and the comparisons across industries showed the most meaningful results.	6
Technology	Technology	The FTA initiated a virtuous circle by allowing export sectors to gain renewed dynamism, with indirect effects inter alia on technology, competitive structure, demography of firms, information or access to markets.	6
Costs	Productivity	The lowering of tariffs on energy imports from the EU has not had a visible impact on energy gasoline and diesel price in Chile, however the reduction of tariffs in general lowered the costs of imported inputs.	5
Technology	Technology	The FTA induced the flow of direct investment and services from the EU to Chile, especially in the water distribution and management sector. The flow of foreign investment has resulted in technology transfers.	6
Technology	Technology	The FTA produced a 'technique effect', which captures the changes in technology, and overall the changes in pollution intensity that result from trade liberalization. In Chile it improved access to new technology and pressures from foreign customers for more corporate responsibility and higher standards.	6
Production Factors	Productivity	Based on cross-sector reallocations of production factors, the adjustments needed to accommodate the new context created by the EU-Chile FTA are mainly characterised for medium and low skills by an increased demand in several agricultural sectors (fruits and wine in particular) and in fisheries. These are coupled with lesser demand in some industrial sectors, machinery in particular. On the whole, these reallocations are small compared to the rapid structural change undergone by the Chilean economy since the Agreement's enforcement.	5

table continues

Table 11. Technological Profile – FTA Insights (continued)

Variable	Measure	Evidence	Judgement
Standards	Production Quality	The practical consequences are far-reaching. The improvement of SPS standards in Chile’s agriculture is widely recognised, and it is related to a significant extent to the FTA requirements. Initially felt by Chilean producers as mere constraints, these requirements are now seen as having spurred an upgrade in production practices, easing access to a wider range of foreign markets. This is also true for the discipline imposed by the Agreement on Wines and Spirits on the use of geographical indications.	6

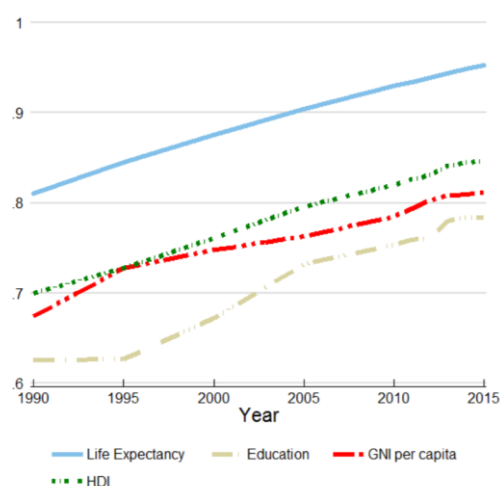
Note: Includes CGE (Computable General Equilibrium) simulations done with GTAP (Global Trade Analysis Project).

Source: ITAQA (2012).

3.4.5 Equality – Country and FTA Insights

The HDI is a summary measure for assessing progress in three basic dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living. Chile’s HDI value for 2015 is 0.847— which put the country in the very high human development category— positioning it at 38 out of 188 countries and territories. Chile’s HDI value increased from 0.700 to 0.847, an increase of 20.9%. Between 1990 and 2015, Chile’s life expectancy at birth increased by 9.3 years, mean years of schooling increased by 1.8 years and expected years of schooling increased by 3.4 years. Chile’s GNI per capita increased by about 149.4% between 1990 and 2015 (see Figure 13) (UNDP, 2016).

Figure 13: Equality and the trends in Chile’s HDP component indices (contribution of each component index to Chile’s HDI; index in percentages, 0,6-1; 60%-100%)



Source: UNDP (2016).

The HDI is an average measure of basic human development achievements in a country. Like all averages, the HDI masks inequality in the distribution of human development across the population at the country level. The IHDI takes into account inequality in all three dimensions of the HDI by ‘discounting’ each dimension’s average value according

to its level of inequality. The IHDI is basically the HDI discounted for inequalities. The ‘loss’ in human development due to inequality is given by the difference between the HDI and the IHDI, and can be expressed as a percentage. As the inequality in a country increases, the loss in human development also increases. Chile’s HDI for 2015 is 0.847. However, when the value is discounted for inequality, the HDI falls to 0.692, a loss of 18.2% due to inequality in the distribution of the HDI dimension indices. Argentina and Peru show losses due to inequality of 15.6% and 21.6% respectively. The average loss due to inequality for very high HDI countries is 11.1% and for Latin America and the Caribbean it is 23.4%. The Human inequality coefficient for Chile is equal to 17.1% (see Table 12).

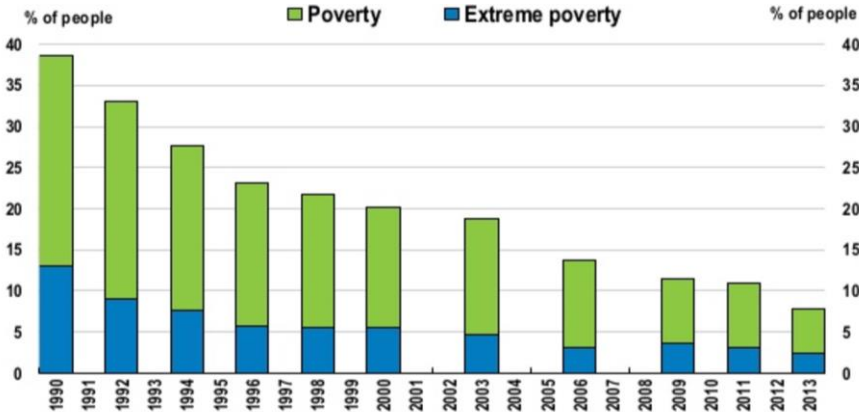
Table 12: Equality and a region comparison

	IHDI value	Overall loss (%)	Human inequality coefficient (%)	Inequality in life expectancy at birth (%)	Inequality in education (%)	Inequality in income
Chile	0.692	18.2	17.1	7.6	8.2	35.5
Argentina	0.698	15.6	15.2	10.0	8.1	27.4
Peru	0.580	21.6	21.3	14.2	20.3	29.5
Latin America and the Caribbean	0.575	23.4	22.9	14.0	19.7	34.9
Very high HDI	0.793	11.1	10.9	5.4	7.2	19.9

Source: UNDP (2016).

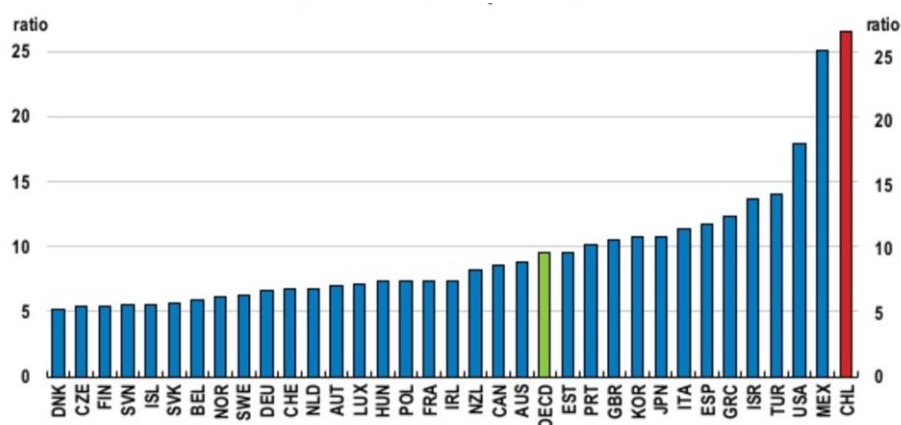
We have to highlight that, a long period of growth in Chile has reduced the poverty dramatically, from 13% in the 1990’ to less than 3% in 2013 (see Figure 14). However, the richest 10% earn 26,5 times the income of the poorest 10% (see Figure 15). Also, in Chile the tax and transfer system does little to reduce income inequality, based on the percentage changes in Gini before and after taxes and transfers, 0,53 the first one, and 0,50 the second one, approximately (see Figure 16) (OECD, 2015).

Figure 14: Equality and the Poverty scenario



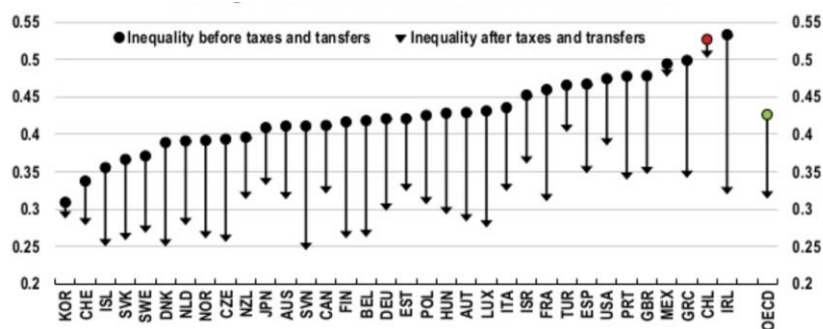
Source: OECD (2015).

Figure 15: Equality and a ratio of incomes comparison



Source: OECD (2015).

Figure 16: Equality and the % changes in Gini



Source: OECD (2015).

The impact of the EU-Chile FTA on equality is tough to be measured. As it is seen on Table 13, the tariff cuts in the EU-Chile FTA generated 0.23% of gains to Chilean economy, which can be also seen as an increase in welfare measured through the equivalent variation of income. It is important to highlight that the FTA brought some benefits to small and medium farming businesses, improving economic development in rural areas.

Table 13: Equality – FTA Insights

Variable	Measure	Evidence	Judgement
Welfare	Welfare	The best measure of this economic impact is welfare, as measured through the equivalent variation of income. According to this metric, the gains for the Chilean economy amount to 0.23%. This is also a small figure, but it should be kept in mind that the impact measured here is limited to the direct consequences of tariff cuts in the EU-Chile FTA.	4
Real Income	Real Income	The EU-Chile FTA is found to trigger an aggregate economic gain for the Chilean economy. The assessed real income gain (+0.23% in equivalent variation of income in the base case) is small, but it should be kept in mind that the impact measured here is limited to the direct, so-to-say “mechanical” consequences of tariff cuts in the EU-Chile FTA.	4
Wages	Real Income	High-skilled and medium-skilled wages slightly decline (by 0.3 and 0.4%), mainly because of the contraction in several manufacturing sectors where these factors are intensively used compared to other sectors. In contrast, low-skilled workers benefit from the EU-Chile FTA (+0.3%), mainly as a result of their intensive use in agricultural sectors where output expands. The rate of return to capital remains constant, while the income of own account workers slightly increases (+0.1%). All these impacts remain small, meaning that the distributive impacts of the EU-Chile FTA are rather limited.	4

table continues

Table 13: Equality – FTA Insights (continued)

Variable	Measure	Evidence	Judgement
Welfare	Welfare	The best measure of this economic impact is welfare, as measured through the equivalent variation of income. According to this metric, the gains for the Chilean economy amount to 0.23%. This is also a small figure, but it should be kept in mind that the impact measured here is limited to the direct consequences of tariff cuts in the EU-Chile FTA.	4
Real Income	Real Income	The EU-Chile FTA is found to trigger an aggregate economic gain for the Chilean economy. The assessed real income gain (+0.23% in equivalent variation of income in the base case) is small, but it should be kept in mind that the impact measured here is limited to the direct, so-to-say “mechanical” consequences of tariff cuts in the EU-Chile FTA.	4
Wages	Real Income	High-skilled and medium-skilled wages slightly decline (by 0.3 and 0.4%), mainly because of the contraction in several manufacturing sectors where these factors are intensively used compared to other sectors. In contrast, low-skilled workers benefit from the EU-Chile FTA (+0.3%), mainly as a result of their intensive use in agricultural sectors where output expands. The rate of return to capital remains constant, while the income of own account workers slightly increases (+0.1%). All these impacts remain small, meaning that the distributive impacts of the EU-Chile FTA are rather limited.	4
Rents	Real Income	The magnitude of rents linked to filled quotas can be directly quantified. Based on the average variance extracted (AVE) computed for the inside- and outside-quota tariff rates and on the volume of each quota, the assessed global value of these rents in 2008 was EUR 21 million (USD 31 million, or almost 0.02% of GDP).	4
Income	Real Income	The EU-Chile FTA has contributed marginally to an increase in income.	4
Income	Real Income	Empirical estimations of the counterfactual of the Chilean economy without the EU-Chile FTA, using the quantitative approaches, suggest that the FTA only had a limited impact on Chile energy demand.	4
Income	Real Income	The general overview of the assessed economic consequences of the EU-Chile FTA obtained as a result of the CGE simulations suggests that its social impact would remain limited: estimated changes in incomes and factor prices remain small in magnitude.	4
Equality	Welfare	Due to the FTA effects on agriculture, small farms are less likely to benefit from new opportunities, while large, consolidated farms are in a position to reap the full benefit from the new trade context. This might be reflected in larger within-agriculture income inequalities, but also in an increase in average agricultural incomes, resulting in lesser inequality between agriculture and other sectors.	3
Income	Real Income	While confirming that households in small farms may lose relative to those in large, more commercial farms, it shows that they globally benefit from the changes brought about by the EU-Chile FTA, when the consequences for both income and consumption prices are accounted for.	5

table continues

Table 13: Equality – FTA Insights (continued)

Variable	Measure	Evidence	Judgement
Rents	Real Income	The magnitude of rents linked to filled quotas can be directly quantified. Based on the average variance extracted (AVE) computed for the inside- and outside-quota tariff rates and on the volume of each quota, the assessed global value of these rents in 2008 was EUR 21 million (USD 31 million, or almost 0.02% of GDP).	4
Income	Real Income	The EU-Chile FTA has contributed marginally to an increase in income.	4
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Note: Includes CGE (Computable General Equilibrium) simulations done with GTAP (Global Trade Analysis Project).

Source: ITAQA (2012).

3.4.6 Social and Environmental Profile – Country and FTA Insights

The social and environmental profile of Chile is assessed by the Better Life Index (OECD, 2017a), in particular regarding: quality of the community, civic engagement, life satisfaction and quality of environment.

In Chile, 82% of people believe that they know someone they could rely on in a time of need, less than the OECD average of 88%. It is ranked 35 out of 38 countries at OECD level. In the most recent elections for which data are available, voter turnout in Chile was 49% of those registered. This figure is one of the lowest rates in the OECD, where average turnout is 68% (ranking 37 out of 38 countries). Broader public engagement in the decision-making process is also important for holding the government to account and maintaining confidence in public institutions. The formal process for public engagement in developing laws and regulations is one way to measure the extent to which people can become involved in government decisions on key issues that affect their lives. In Chile, the level of stakeholder engagement in developing regulations is 1.5 (on a scale between

0 and 4), ranking 28 out of 38; lower than the OECD average of 2.4 (OECD, 2017a). Life satisfaction measures how people evaluate their life as a whole rather than their current feelings. When asked to rate their general satisfaction with life on a scale from 0 to 10, Chileans gave it a 6.5 grade, ranking 20 out of 38 in line with the OECD average (OECD, 2017a).

The quality of our local living environment has a direct impact on our health and well-being. Outdoor air pollution is one important environmental issue that directly affects the quality of people's lives. PM2.5 – tiny particulate matter small enough to be inhaled into the deepest part of the lung – is monitored in OECD countries because it can harm human health and reduce life expectancy. In Chile, PM2.5 levels are 18.5 micrograms per cubic meter, ranking 35 out of 38, higher than the OECD average of 14.05 micrograms per cubic meter, and a much higher level than the annual guideline limit of 10 micrograms per cubic meter set by the World Health Organization. Access to clean water is fundamental to human well-being. Despite significant progress in OECD countries in reducing water pollution, improvements in freshwater quality are not always easy to discern. In Chile, 71% of people say they are satisfied with water quality, ranking 30 out of 38, much lower than the OECD average of 81%. (OECD, 2017a)

Table 14 provides some relevant insights on the social and environmental sphere. FTA has induced a growth in the wine, fruit and seafood sectors, causing little additional environmental damage (through greenhouse gas emissions). Also, the alcoholic beverage sector, a source of global warming, has benefited. On the other hand, the EU has helped improving water quality and reducing waste, and the use of pesticides in Chile has been limited and in the long term will decrease with the EU standards.

Table 14: Social and Environmental Profile – FTA Insights

Variable	Measure	Evidence	Judgement
Environment	Environmental Impact	Overall, the sectors where the EU-Chile FTA has had the most impact on Chilean production are not the most polluting ones. The Agreement liberalized trade in some mining products (e.g. molybdenum-based products). While the extraction and production of such minerals is a source of pollution, they can hardly be isolated given that it is a co-product of copper (emissions of greenhouse gases are allocated to copper in the Chilean calculations by the agencies in charge of the calculation, see Poch Ambiente 2008).	2
Environment	Environmental Impact	The impact of the EU-Chile FTA on petroleum industry and electricity production are limited. The Agreement has induced larger growth in the wine, fruits and seafood sectors. While some particular environmental issues deserve further investigation (pesticides, water, see sections below), these sectors account for a small share of greenhouse gas emissions.	2
Environment	Environmental Impact	If we consider the greenhouse gases that are particularly linked to the exports that have benefited from the EU-Chile FTA, the alcoholic beverage sector plays a significant role in the emission of organic volatile components, a source of global warming.	1
Environment	Environmental Impact	EU investments have contributed to the general improvement of water quality and the reduction of waste.	5

table continues

Table 14: Social and Environmental Profile – FTA Insights (continued)

Variable	Measure	Evidence	Judgement
Environment	Environmental Impact	Altogether the EU-Chile FTA has resulted in an increase in the use of fertilizers, since the growth in exports of agricultural products and wine to the EU since 2003 corresponds to a 6% increase annually. Larger exports of fruits and wine may have led to an increase in pesticide use of roughly 1.5% annually. This impact is therefore more limited than for fertilizers, due to strict standards in the EU (in particular regarding pesticide residues) and the fact that the shift towards export agriculture tends to reduce pesticide intensity in production compared to productions for the domestic market.	2
Exports	Exports	Simulations indeed suggest that the EU-Chile FTA has played a significant role in the expansion of the wine and fruits sectors. Both use large quantities of water and contribute to chemical pollution.	2
Social	Social Development	No relevant effects discovered.	3

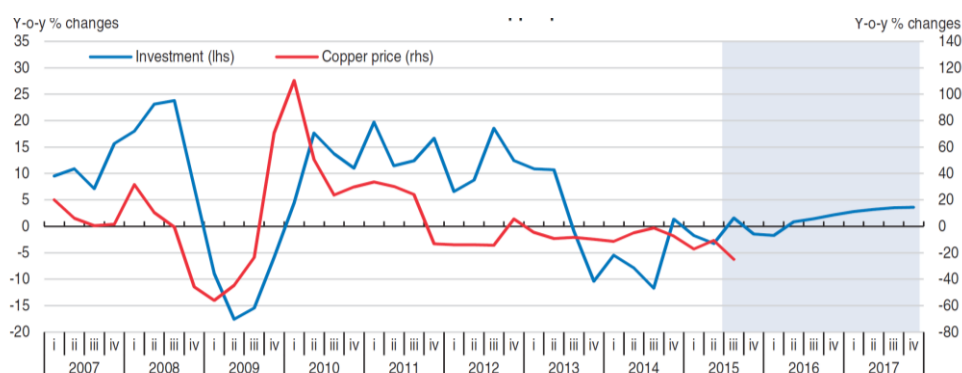
Note: Includes CGE (Computable General Equilibrium) simulations done with GTAP (Global Trade Analysis Project).

Source: ITAQA (2012).

3.4.7 Investment Climate – Country and FTA Insights

Regarding the Investment level, the economy is in the midst of a challenging rebalancing process. As the largest producer of copper in the world, Chile benefited immensely from the upswing in commodity prices and the environment of low international interest rates during the recent commodity super cycle. The commodity price boom induced a macroeconomic cycle through its effect on investment. Since mining is very capital intensive, investment grew from approximately 2% of GDP in 2002 to almost 7% of GDP in 2012, generating large spill over effects on other sectors, in particular construction. However, the long phase of increasing commodity prices has reversed: copper prices have weakened, and will likely remain at a lower level in the future. The combination of lower copper prices and higher costs has affected mining profitability, sharply reducing investment (see Figure 17).

Figure 17: Investment perspective

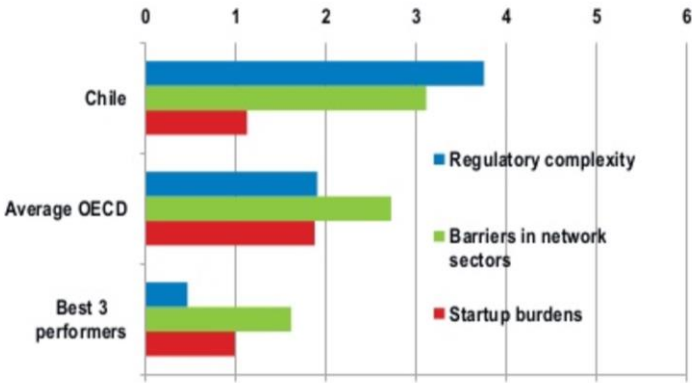


Source: OECD (2015).

Lower terms of trade have also cut household incomes and reigned in private consumption. As a result, output growth slowed sharply in 2014 (OECD, 2015).

With regards to the Financial Market Development, and based on the Global Competitiveness Index (World Economic Forum, 2017), Chile is on the Top 25 in the world. Chile’s Financial Market is considered efficient mainly due to: the existence of financial services that match with the business needs, the affordability of these financial services, the possibility of financing through local equity markets, the easy access to loans and the venture capital availability. Chile is also known for its trustworthiness and confidence, based on the soundness of its banks (top 10 in the world) and the regulations of securities exchanges, although there is still place to relevant improvements on the legal rights associated to the financial markets (World Economic Forum, 2017). In general, the business regulations remains restrictive in multiple areas (see Figure 18) (OECD, 2015).

Figure 18: Investment perspective and product market (increasing in stringency of regulation; index 0-6, where 0 means very lenient, 3 means neutral and 6 means very stringent)



Source: OECD (2015).

In terms of investment climate, and as it is summarized under the Table 15, we can say that it is all about business opportunities and economic dynamics rather than a specific FTA. One fact to keep in mind is that the EU is the most important source of foreign investment in Chile, mainly in the service sector. The FTA gave a boost to Chile’s economic relations, due to the articulation of investment-related bilateral provisions and the pre-existing favourable institutional structure.

Table 15: Investment Climate – FTA Insights

Variable	Measure	Evidence	Judgement
Investment	Investment	Investments in companies that perform services in the territory of the other party are governed by the service chapter, not by the establishment chapter.	3
Investment	Investment	The EU remains the most important source of foreign investment in Chile. These investments are funnelled mainly toward the service sector. With the exception of UK investments in the mining sector, the share of the natural resource sector in these investments remains limited.	6

table continues

Table 15. Investment Climate – FTA Insights (continued)

Variable	Measure	Evidence	Judgement
Investment	Investment	While the nature of investment-related provisions included in the EU-Chile FTA differs from those in Chile's other FTAs, fiscal and institutional conditions surrounding EU FDI in Chile are fairly favourable, especially when domestic legislation and the articulation with investment-related bilateral agreements are taken into account. For EU FDIs in Chile as for Chilean investment in the EU, investment decisions seem strictly related to business opportunities, and recent evolutions have probably more to see with economic dynamism of investing countries than with the EU-Chile FTA. In this context, the FTA did not significantly change the legal framework or the guarantees for European investors. Its benefits essentially lie in additional security associated to consolidation of the conditions prevailing before the EU-Chile FTA. Even though such benefits do not necessarily materialise in significant changes in investment behaviours, they are not negligible, especially in the long run.	4
Investment	Investment	Chilean investment abroad exceeds USD 50 billion according to Chile's Central Bank, i.e. approximately one quarter of GDP. However, the bulk of these investments are concentrated in South American countries, especially Argentina, Brazil, Peru and Colombia. Those four countries jointly account for approximately 80% of Chilean investment abroad. In contrast, Chilean investments in the EU countries remain of limited magnitude, with an accumulated stock assessed by Eurostat of EUR 2 billion in 2009.	3
Standards	Corruption	The FTA brought about a considerable improvement of standards and institutions in Chile, which has a positive indirect effect on the level of corruption. Improved standards and decreasing corruption bettered production practices, easing access to a wider range of foreign markets.	6
Technology	Investment	The FTA induced an increasing flow of direct investment and services from the EU to Chile in the water distribution and management sector. The flow of foreign investment has resulted in technology transfers, and extra financial capacity to fund large scale investments.	6

Note: Includes CGE (Computable General Equilibrium) simulations done with GTAP (Global Trade Analysis Project).

Source: ITAQA (2012).

3.4.8 Summary

The results of our assessment show that the free trade agreement had the most positive effect on technological development of Chile and its competitiveness. Investment climate in the country also improved, in particular, due to an improvement in the anti-corruption practices that followed FTA implementation. At the same time trade improved, where the biggest factor was lifting administrative red tape. What is interesting, the FTA had a limited effect on Chile's imports.

While the impact on equality was neutral, the agreement did have slightly negative impacts on the country's environment, social development and employment. In fact, the most detrimental effect was caused on environment. Table 8 shows the whole picture of the effects of the FTA for each pillar.

Just like with the Pillar Matrix we assessed the impacts of the FTA, with the Country Profile Analysis we assessed Chile’s position as a country based on the same seven pillars and the same assessment scale. Table 9 sums up the results, where we can see that Chile scored best on equality, while competitiveness, investment climate, employment and technological profile were also on the positive side of the scale. Problems were revealed in the country’s trade, social and environmental profiles. Both the FTA Pillar Matrix and the Country Profile are shown in Tables 16 and 17, and compared in Figure 19. A detailed insight into every pillar from both perspectives is presented in the next section.

Table 16: Pillar matrix overview filled

#	Pillars	Magnitude	Measure	Judgement	Source
1	Competitiveness	5,33	GDP Growth	6	European Commission Report
			Political Stability	6	European Commission Report
			National Industry Development	4	European Commission Report
2	Trade Impact	4,67	Trade	5,4	European Commission Report
			Exports	4,33	European Commission Report
			Imports	4	European Commission Report
			Administrative Barriers	5,6	European Commission Report
			Exchange Rate	4	European Commission Report
3	Employment	3,35	Unemployment	3,35	European Commission Report
4	Technological Impact	5,67	Productivity	5	European Commission Report
			Technology	6	European Commission Report
			Production Quality	6	European Commission Report
5	Equality	4,00	Welfare	4	European Commission Report
			Real income	4	European Commission Report
6	Social and Environmental Impact	2,70	Social Development	3	European Commission Report
			Environmental Impact	2,4	European Commission Report
7	Investment climate	5,00	Investment	4	European Commission Report
			Corruption	6	European Commission Report

Source: own work.

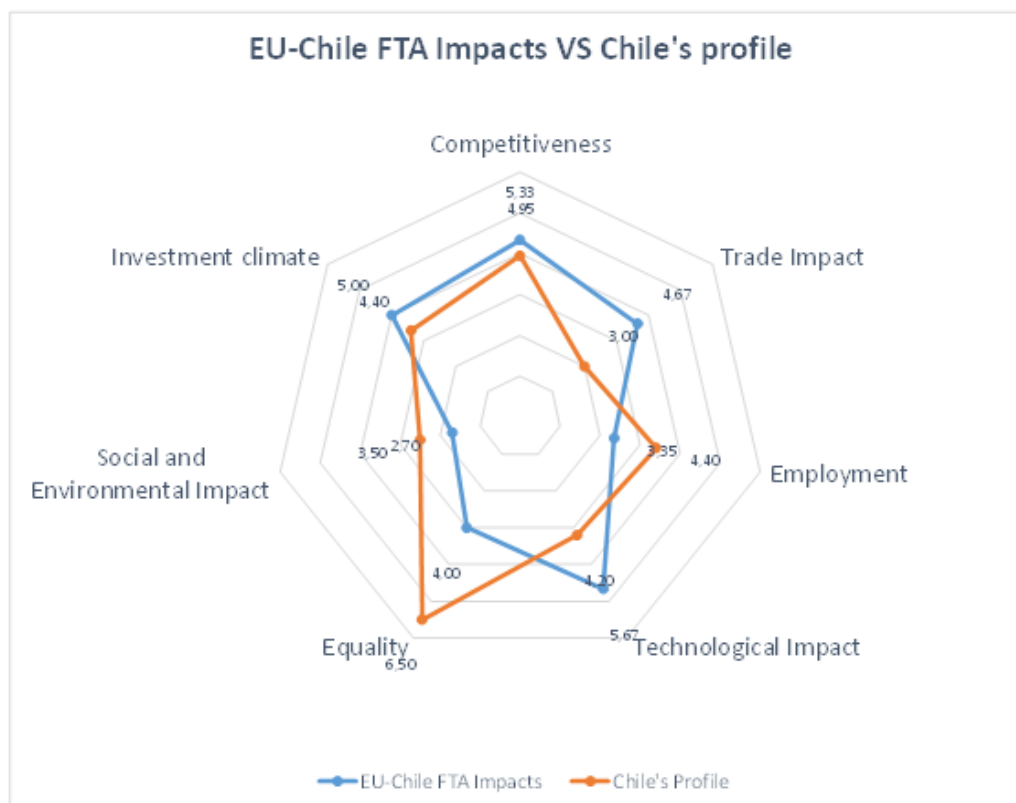
Table 17: Country profile overview filled

#	Pillars	Magnitude	Measure	Judgement	Source
1	Competitiveness	4,95	Institutions	4,50	WEF Competitiveness Index
			Infrastructure	4,70	WEF Competitiveness Index
			Macroeconomic environment	5,40	WEF Competitiveness Index
			Health and primary education	5,70	WEF Competitiveness Index
			Higher education and training	5,20	WEF Competitiveness Index
			Goods market efficiency	4,60	WEF Competitiveness Index
			Market size	4,50	WEF Competitiveness Index
			GDP Growth	5,00	Economic Forecast
2	Trade Profile	3,00	Trade Insights	3,00	WTO Report
3	Employment	4,40	Labour market efficiency	4,40	WEF Competitiveness Index
4	Technological Profile	4,20	Technological readiness	5,10	WEF Competitiveness Index
			Business sophistication	4,10	WEF Competitiveness Index
			Innovation	3,40	WEF Competitiveness Index
5	Equality	6,50	Human Development	7,00	Human Development Index
			Inequality	6,00	Human Development Index
6	Social and Environmental Profile	3,50	Quality of the Community	3,00	OECD - Better Life Index
			Civic Engagement	2,00	OECD - Better Life Index
			Life Satisfaction	5,00	OECD - Better Life Index
			Quality of Environment	4,00	OECD - Better Life Index
7	Investment climate	4,40	Investment level	4,00	Economic Forecast
			Financial market development	4,80	WEF Competitiveness Index

Source: own work.

Figure 19: Comparison between Pillar matrix and Country profile analysis

Pillars	EU-Chile FTA Impacts	Chile's Profile
Competitiveness	5,33	4,95
Trade Impact	4,67	3,00
Employment	3,35	4,40
Technological Impact	5,67	4,20
Equality	4,00	6,50
Social and Environmental Impact	2,70	3,50
Investment climate	5,00	4,40



Source: own work.

4 FREE TRADE PERCEPTION

4.1 Quantitative Research

We launched an electronic survey (see Appendix 2), which was available for the period beginning in July 2017 until the end of September 2017. Facebook, Whatsapp and Gmail were the main channels. The horizon of the survey was broad, as it was planned to reach a high level of answers from all the corners of the globe. We have got 403 answers.

Our quantitative research is built around the following set of 7 hypothesis:

- H1. People perceive that a FTA between developed countries and developing countries will have an improvement on the Competitiveness of the developing country.
- H2. People perceive that a FTA between developed countries and developing countries will have an improvement on the Trade of the developing country.
- H3. People perceive that a FTA between developed countries and developing countries will have an improvement on the Employment of the developing country.
- H4. People perceive that a FTA between developed countries and developing countries will have an improvement on the Technological Field of the developing country.
- H5. People perceive that a FTA between developed countries and developing countries will have an improvement on the Equality of the developing country.
- H6. People perceive that a FTA between developed countries and developing countries will have an improvement on the Social and Environmental Field of the developing country.
- H7. People perceive that a FTA between developed countries and developing countries will have an improvement on the Investment Climate of the developing country.

In order to get a deeper insight, and to offer a bigger menu of options and areas, the first part of our survey consisted on 31 conceptual questions which consequently became sub-hypothesis, predefined to attack each of the 7 hypothesis we set. As it is shown on Table 11, each of those 31 sub-hypothesis are grouped and allocated under one pillar which is straightforward related to a one of the main hypothesis. Those 31 sub-hypothesis strategically allocated will be the starting point to arrive to a conclusion the perception of the people towards FTA and its impacts in terms of competitiveness, trade impact, employment, technological impact, equality, social and environmental impact and investment climate.

It is very important to highlight that the grouping done on the sub-hypothesis is deliberated: having the same basis and pillars will allows us to perform a cross-analysis, get an overview, do comparison, discuss and conclude with the scientific insights, the FTA EU-Chile impacts and the qualitative research (the insights from the focus group and the in-depth interviews).

Table 18: Hypothesis and sub-hypothesis grouping

Hypothesis and Sub-hypothesis: Grouping.

Pillar 1: Competitiveness	
H1a	FTA between developed countries and developing countries will improve the economic growth of the developing country.
H1b	FTA between developed countries and developing countries will have a positive impact on the Political Stability of the developing country.
H1c	FTA between developed countries and developing countries will NOT diminish the performance of the National Industry (core sector) of the developing country.
H1d	FTA between developed countries and developing countries will have a positive impact on institutions level of the developing country.
H1e	FTA between developed countries and developing countries will have a positive impact on infrastructure of the developing country.
H1f	FTA between developed countries and developing countries will have a positive impact on the stability of the macroeconomic environment of the developing country.
H1g	FTA between developed countries and developing countries will have a positive impact on the education and training system of the developing country.
H1h	FTA between developed countries and developing countries will increase the efficiency of the goods and services market of the developing country.
Pillar 2: Trade	
H2a	FTA between developed countries and developing countries will boost the trade of the developing country
H2b	FTA between developed countries and developing countries will boost the exports of the developing country.
H2c	FTA between developed countries and developing countries will make increase the imports of the developing country.
H2d	FTA between developed countries and developing countries will diminish the administrative barriers, and help a developing country.
H2e	FTA between developed countries and developing countries will NOT have a negative effect on a developing country due to the exchange rate.
Pillar 3: Employment	
H3a	FTA between developed countries and developing countries will boost the employment rate of the developing country.
H3b	FTA between developed countries and developing countries will increase the efficiency of the labour market of the developing country.
Pillar 4: Techonological Impacts	
H4a	FTA between developed countries and developing countries will boost the productivity of the developing country.
H4b	FTA between developed countries and developing countries will have a positive technological impact on the developing country.
H4c	FTA between developed countries and developing countries will have a positive impact on the production quality of the developing country.
H4d	FTA between developed countries and developing countries will have a positive impact on the way of doing business of the developing country.
H4e	FTA between developed countries and developing countries will bring innovation to the developing country.
Pillar 5: Equality	
H5a	FTA between developed countries and developing countries will increase the welfare of the developing country.
H5b	FTA between developed countries and developing countries will increase the real income of the developing country.
H5c	FTA between developed countries and developing countries will improve the human development of the developing country.
H5d	FTA between developed countries and developing countries will reduce the inequalities across the society of the developing country.
Pillar 6: Social and Environmental Impacts	
H6a	FTA between developed countries and developing countries will have a positive impact on the social development of the developing country.
H6b	FTA between developed countries and developing countries will have a positive environmental impact on the developing country.
H6c	FTA between developed countries and developing countries will improve the quality of the community of the developing country.
H6d	FTA between developed countries and developing countries will have a positive impact on the life satisfaction of the developing country.
Pillar 7: Investment	
H7a	FTA between developed countries and developing countries will improve the investment climate of the developing country.
H7b	FTA between developed countries and developing countries will reduce the corruption level of the developing country.
H7c	FTA between developed countries and developing countries will boost the financial market development of the developing country.

Source: own work.

The demographic insights come with the second part of our survey. Our intention was to obtain answers from the wide socio-economic span. The variables that have been taken into account for this were: age, nationality, ethnicity, place of residence, education, professional and employment status and income range.

We have performed a statistical analysis of the perception of the people based on them, and this helped us uncover interesting facts and insights, which are shown later on. Table 19 summarizes the number of respondents we have reached per variable.

Table 19: Respondents based on demographic characteristics

Respondents based on demographic characteristics

Nationality	# Resp.	% Resp.
Africa	30	7.44%
Latin America and The Caribbean	97	24.07%
Asia and Pacific	64	15.88%
North America	19	4.71%
Europe	169	41.94%
Commonwealth of Independent States and Georgia	24	5.96%
Total	403	100.00%

Country category	# Resp.	% Resp.
Developed	201	49.88%
Developing	202	50.12%
Total	403	100.00%

Place of residence	# Resp.	% Resp.
Capital	198	49.13%
Other	205	50.87%
Total	403	100.00%

Age	# Resp.	% Resp.
Less than 25 years	42	10.42%
26 - 44 years	262	65.01%
55 and over	99	24.57%
Total	403	100.00%

Gender	# Resp.	% Resp.
Male	243	60.30%
Female	160	39.70%
Total	403	100.00%

Education	# Resp.	% Resp.
High School Graduate or less	33	8.19%
Bachelor's or Professional Degree	172	42.68%
Master's or Doctorate Degree	198	49.13%
Total	403	100.00%

Employment status	# Resp.	% Resp.
For-Profit Employee	140	34.74%
Not For Profit Employee	47	11.66%
State Employee	50	12.41%
Self-Employed	75	18.61%
Out of Work	91	22.58%
Total	403	100.00%

Income range	# Resp.	% Resp.
Low / Medium-Low	88	21.84%
Medium	174	43.18%
Medium-High / High	141	34.99%
Total	403	100.00%

Source: own work.

On our way we have faced some difficulties related to access to computers and internet in Latin America and Africa, which were solved by conducting telephone and face-to-face survey. Language barriers were also a constraint in some cases, especially in Latin America and former Soviet Union countries, translations were needed to overcome this obstacle and get responses from the respective regions.

When it comes to the point of analysis and performing, we conducted a Traditional Statistical Approach, applying SPSS software on primary data from the survey, and testing the hypothesis. One-sample T Test (with a confidence interval of 95%) was chosen.

The maximum significance level accepted (p_value) for the run test was 10%. The analysis and results of it are shown in the next chapters.

4.1.1 Combined (Developed and Developing Countries) Research: Hypothesis Testing

Pillar 1: Competitiveness. People have a really positive perception about the FTA impacts on developing countries. Six out of eight factors that we defined as competitiveness have had a positive answer.

People see the FTA as the right tool that will improve the economic growth, will not diminish the performance of the national industry, will have a positive impact on infrastructure, on the stability of the macroeconomic environment, on education and training system and on the goods and services market efficiency of the developing

country. When it comes to a more general point, such as the political stability, people do not really perceive the FTA as an effective tool to improve it.

Pillar 2: Trade. Although it may be obvious, we did ask and test the respondents in terms of trade. Trade is the main goal of the FTA, the purpose why they are concluded, and the perception of the people does confirm this: people perceive the FTA as a tool to boost trade of the developing country, boosting the exports and making the imports of the developing country higher.

As we could imagine, people also perceive the FTA to diminish administrative barriers, helping the developing country. Trade generates an open economy, and based on people's perception, FTA will not have a negative effect on a developing country due to exchange rate.

Pillar 3: Employment. Employment is always an issue of discussion. Will unemployment decreased due to a FTA? Our question is: do people think in that way? People do perceive the FTA as a tool to boost the employment rate and increase the efficiency of the labour market of the developing country.

Pillar 4: Technological impact. The perception of the people about FTA's technological impacts on the developing country is quite straightforward: people think that there will be a positive technological impact, the productivity will be boosted, so there will be a positive impact on the production quality, on the way of doing business and it will bring innovation.

Pillar 5: Equality. Equality is definitely a factor where people do not perceive any positive impacts or improvements derived from the FTA.

Specifically, people do not perceive the FTA as an instrument to increase the real income or the human development, neither to reduce the inequalities across the society of the developing country.

Pillar 6: Social and Environmental impacts. Just like equality, the potential positive impacts of the FTA on the social and environmental sphere are not perceived.

FTA fails, based on people perception, and will not have a positive impact on the social development and on the environmental sphere, neither will improve the quality of the community nor will have a positive impact on the life satisfaction of the developing country.

Pillar 7: Investment. In terms of investment, FTAs are perceived as improving the investment climate and boosting the financial market of the developing country, while having no positive impacts or contributions towards the reduction of the corruption level.

4.1.2 Developed Countries Research: Hypothesis Testing

Pillar 1: Competitiveness. SPSS analysis of the responses of the people about questions on competitiveness provided the following results.

People believe that competitiveness will be upgraded as a consequence of the FTA, economic growth will be improved, performance of the national industry will not be diminished, there will be a positive impact on infrastructure, stability of the macroeconomic environment, education and training system, the goods and services market, political stability and the institutions level of the developing country.

Pillar 2: Trade. SPSS analysis of the responses of the people about questions on trade provided the following results.

No matter the responses of which group of people we are analysing, trade remains a positive factor: FTAs are perceived as boosting trade, boosting exports and increasing imports, diminishing administrative barriers, and such as not having a negative effect on the developing country due to the exchange rate.

Pillar 3: Employment. SPSS analysis of the responses of the people about questions on employment provided the following results.

In terms of employment, people perceive a better scenario for the employment rate and the efficiency of the labour market of the developing country as a consequence of the FTA.

Pillar 4: Technological impact. SPSS analysis of the responses of the people about questions on the technological impact provided the following results. When answering about the technological impact, people are positive and believe that a boost in productivity, more innovation, better production quality and an upgraded way of doing business will come along with a FTA.

Pillar 5: Equality. Equality will be also affected positively: the welfare and the real income would be improved as a consequence of the FTA.

Pillar 6: Social and Environmental impacts. In social and environmental spheres, the FTA, according to the perception of the people, will have a positive impact on social

development, the environment, the quality of the community and on life satisfaction of the developing country.

Pillar 7: Investment. Respondents do perceive a potential positive impact of the FTA at the investment level: there will be a better investment climate and a more developed financial market.

4.1.3 Developing Countries Research: Hypothesis Testing

Pillar 1: Competitiveness. People from developing countries have shown a different opinion than those from developed countries. The opinion here is more negative. They perceive the FTA will improve competitiveness by improving economic growth and not diminishing the performance of the national industry. Meanwhile, FTAs are not perceived as an instrument to have a positive impact on the political stability, on the institutions level or on the stability of the macroeconomic environment.

Pillar 2: Trade. Trade is the only aspect where respondents shown a positive perception. According to them, FTA will boost trade, boosting the exports and making the imports higher. FTA will also diminish administrative barriers and help the developing country. On the other hand, they believe there will be a negative effect for the developing country due to the exchange rate.

Pillar 3: Employment. According to responses, efficiency of the labour market will not be positively affected.

Pillar 4: Technological impact. Regarding the technological sphere, people believe the FTA will have positive consequences in terms of technological impact and on the way of doing business, and will bring innovation to the developing country.

Pillar 5: Equality. Equality is again a factor which people perceive the FTA as having no positive effect on. For instance, there will not be any positive consequence in terms of welfare, real income and human development, the inequality gap across the society also will not be reduced.

Pillar 6: Social and Environmental impact. Just as in the case with equality, the FTA fails when it comes to social and environmental impacts: a potential upgrade is not seen in terms of social development, environmental impact, quality of the community or life satisfaction of the developing country.

Pillar 7: Investment. In terms of investment, people do think that the investment climate will be better as a consequence of the FTA, while it will not be effective in reducing the corruption level or boosting the financial market of the developing country.

4.1.4. Hypothesis Testing Outlook

After performing the analysis, the results for each group of observations are shown under the Table 20.

Table 20: Hypothesis panel

Component	Combined Mean	Combined Ho	Developed Mean	Developed Ho	Developing Mean	Developing Ho
1Comp1	4,97	NOT REJECTED	5,48	NOT REJECTED	4,46	NOT REJECTED
1Comp2	3,59	REJECTED	4,14	NOT REJECTED	3,04	REJECTED
1Comp3	4,93	NOT REJECTED	5,53	NOT REJECTED	4,34	NOT REJECTED
1Comp4	3,94	REJECTED	4,49	NOT REJECTED	3,39	REJECTED
1Comp5	4,68	NOT REJECTED	5,31	NOT REJECTED	4,06	NOT REJECTED
1Comp6	4,23	NOT REJECTED	4,92	NOT REJECTED	3,55	REJECTED
1Comp7	4,63	NOT REJECTED	5,33	NOT REJECTED	3,93	REJECTED
1Comp8	4,64	NOT REJECTED	5,18	NOT REJECTED	4,10	NOT REJECTED
2Trad1	5,57	NOT REJECTED	6,05	NOT REJECTED	5,10	NOT REJECTED
2Trad2	5,58	NOT REJECTED	6,00	NOT REJECTED	5,15	NOT REJECTED
2Trad3	5,47	NOT REJECTED	5,84	NOT REJECTED	5,10	NOT REJECTED
2Trad4	5,37	NOT REJECTED	5,82	NOT REJECTED	4,93	NOT REJECTED
2Trad5	4,34	NOT REJECTED	4,84	NOT REJECTED	3,85	REJECTED
3Empl1	4,58	NOT REJECTED	5,15	NOT REJECTED	4,01	NOT REJECTED
3Empl2	4,30	NOT REJECTED	4,82	NOT REJECTED	3,78	REJECTED
4Tecn1	4,61	NOT REJECTED	5,32	NOT REJECTED	3,90	REJECTED
4Tecn2	5,26	NOT REJECTED	5,90	NOT REJECTED	4,62	NOT REJECTED
4Tecn3	4,67	NOT REJECTED	5,20	NOT REJECTED	4,14	NOT REJECTED
4Tecn4	5,19	NOT REJECTED	5,78	NOT REJECTED	4,61	NOT REJECTED
4Tecn5	5,30	NOT REJECTED	5,91	NOT REJECTED	4,70	NOT REJECTED
5Equa1	3,92	REJECTED	4,83	NOT REJECTED	3,01	REJECTED
5Equa2	3,79	REJECTED	4,50	NOT REJECTED	3,08	REJECTED
5Equa3	3,39	REJECTED	4,05	NOT REJECTED	2,72	REJECTED
5Equa4	3,30	REJECTED	4,03	NOT REJECTED	2,57	REJECTED
6SoEn1	3,86	REJECTED	4,81	NOT REJECTED	2,93	REJECTED
6SoEn2	3,80	REJECTED	4,92	NOT REJECTED	2,68	REJECTED
6SoEn3	3,80	REJECTED	4,68	NOT REJECTED	2,92	REJECTED
6SoEn4	3,64	REJECTED	4,49	NOT REJECTED	2,78	REJECTED
7Inve1	4,91	NOT REJECTED	5,56	NOT REJECTED	4,25	NOT REJECTED
7Inve2	3,16	REJECTED	3,90	REJECTED	2,43	REJECTED
7Inve3	4,11	NOT REJECTED	4,79	NOT REJECTED	3,43	REJECTED

Source: own work.

The table above containing the results of our testing clearly show that the majority of rejected hypotheses pertain to the group of people from developing countries. The only hypothesis rejected by the people from developed countries related to component “corruption”, which is part of the set of questions on investment climate.

Looking overall, people do not perceive a free trade agreement as an efficient instrument in terms of positive impact on equality, social and environmental sphere. With this hypothesis testing we were able to clearly show that according to people’s perception free trade agreements do not have a positive impact in terms of welfare, real income, human development, social inequalities, social development, environmental impact, quality of community and life satisfaction.

It is important to note that although people perceive a free trade agreement as an effective instrument to improve the competitiveness and the investment climate, the hypothesis testing has shown that people specifically do not see any impact in terms of political stability and improving the level of institutions. Neither do they reduce the level of corruption.

What is really evident is how the perception about free trade agreements is different among groups. If we take into consideration only the group of developed countries, they perceive free trade as a very positive instrument for socio-economic development. The people from developing countries are far less optimistic about the benefits of free trade. Although in general (combined score of both groups) trade, employment and technological development are considered to be the spheres positively influenced by free trade, the people from less developed countries are sceptical about the benefits in several components – the influence on exchange rates, efficiency of the labour market and productivity of the developing country.

On top of that, people from the developing countries do not believe free trade agreements can significantly improve stability of the macroeconomic environment and the education system of their country.

4.1.5. Compare Mean Analysis

Mean Analysis Introduction. Table 21 summarizes the average perception of the people, divided by observations groups (combined –developed and developing countries-, developed and developing countries), in a scale from 1 to 7, where a number higher than 4 shows a positive perception towards the effectiveness of the free trade agreement on the developing country.

Table 21: Mean panel

Component	Combined Mean	Developed Mean	Developing Mean
1Comp1	4,97	5,48	4,46
1Comp2	3,59	4,14	3,04
1Comp3	4,93	5,53	4,34
1Comp4	3,94	4,49	3,39
1Comp5	4,68	5,31	4,06
1Comp6	4,23	4,92	3,55
1Comp7	4,63	5,33	3,93
1Comp8	4,64	5,18	4,1
2Trad1	5,57	6,05	5,1
2Trad2	5,58	6	5,15
2Trad3	5,47	5,84	5,1
2Trad4	5,37	5,82	4,93
2Trad5	4,34	4,84	3,85
3Empl1	4,58	5,15	4,01
3Empl2	4,3	4,82	3,78
4Tecn1	4,61	5,32	3,9
4Tecn2	5,26	5,9	4,62
4Tecn3	4,67	5,2	4,14
4Tecn4	5,19	5,78	4,61
4Tecn5	5,3	5,91	4,7
5Equa1	3,92	4,83	3,01
5Equa2	3,79	4,5	3,08
5Equa3	3,39	4,05	2,72
5Equa4	3,3	4,03	2,57
6SoEn1	3,86	4,81	2,93
6SoEn2	3,8	4,92	2,68
6SoEn3	3,8	4,68	2,92
6SoEn4	3,64	4,49	2,78
7Inve1	4,91	5,56	4,25
7Inve2	3,16	3,9	2,43
7Inve3	4,11	4,79	3,43

Source: own work.

Table 22 shows the variation between the perception of both groups: developed and developing countries, and it is calculated as how much positive are developed countries above developing countries, toward the effectiveness of free trade agreements.

Table 22: Variation panel

Component	Combined Mean	Developed Mean	Developing Mean	Variation
1Comp1	4,97	5,48	4,46	22,81%
1Comp2	3,59	4,14	3,04	36,18%
1Comp3	4,93	5,53	4,34	27,46%
1Comp4	3,94	4,49	3,39	32,67%
1Comp5	4,68	5,31	4,06	30,77%
1Comp6	4,23	4,92	3,55	38,29%
1Comp7	4,63	5,33	3,93	35,86%
1Comp8	4,64	5,18	4,10	26,35%
Pillar 1	4,45	5,05	3,86	30,82%
2Trad1	5,57	6,05	5,10	18,65%
2Trad2	5,58	6,00	5,15	16,64%
2Trad3	5,47	5,84	5,10	14,45%
2Trad4	5,37	5,82	4,93	18,05%
2Trad5	4,34	4,84	3,85	25,85%
Pillar 2	5,27	5,71	4,82	18,36%
3Empl1	4,58	5,15	4,01	28,38%
3Empl2	4,30	4,82	3,78	27,33%
Pillar 3	4,44	4,99	3,90	27,87%
4Tecn1	4,61	5,32	3,90	36,33%
4Tecn2	5,26	5,90	4,62	27,61%
4Tecn3	4,67	5,20	4,14	25,59%
4Tecn4	5,19	5,78	4,61	25,43%
4Tecn5	5,30	5,91	4,70	25,70%
Pillar 4	5,01	5,62	4,40	27,91%
5Equal1	3,92	4,83	3,01	60,33%
5Equal2	3,79	4,50	3,08	45,99%
5Equal3	3,39	4,05	2,72	48,92%
5Equal4	3,30	4,03	2,57	57,04%
Pillar 5	3,60	4,35	2,85	52,97%
6SoEn1	3,86	4,81	2,93	64,26%
6SoEn2	3,80	4,92	2,68	83,38%
6SoEn3	3,80	4,68	2,92	60,56%
6SoEn4	3,64	4,49	2,78	61,48%
Pillar 6	3,77	4,73	2,83	67,16%
7Inve1	4,91	5,56	4,25	30,80%
7Inve2	3,16	3,90	2,43	60,47%
7Inve3	4,11	4,79	3,43	39,65%
Pillar 7	4,06	4,75	3,37	40,93%

Source: own work.

Both panels, shown under Tables 14 and 15 are crucial for a better understanding and reference of the analysis that is shown on the next chapters.

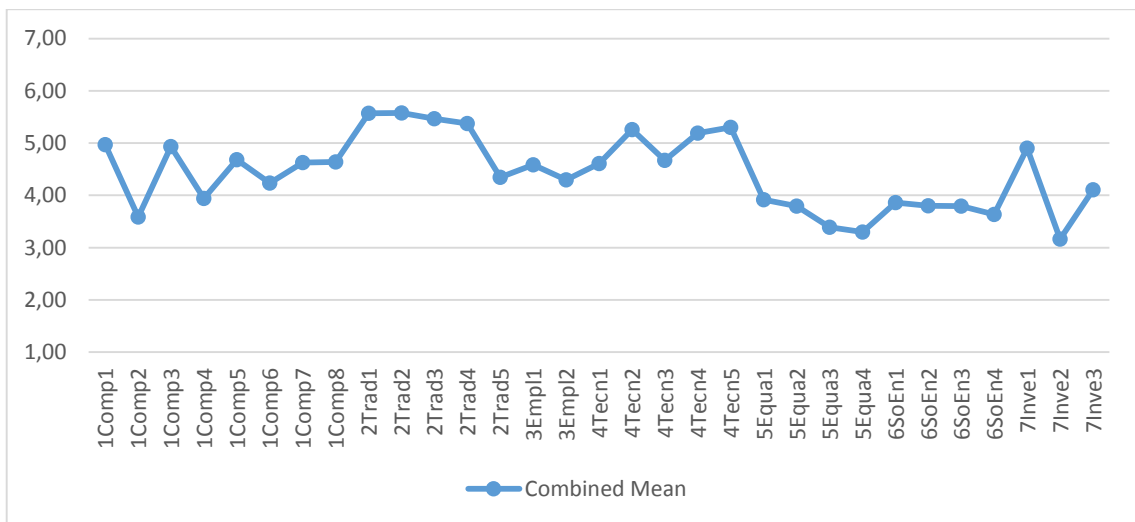
Mean Analysis *per se*. When looking at the combined data (see Figure 41), which is the average perception of the people, we can easily divide the chart in two parts: the first four and the last three pillars. Free trade agreements are perceived by the people as having a positive impact in terms of competitiveness, trade, employment and technological sphere,

while people do not perceive it as effective in terms of equality, social and environmental sphere and investment. The dimensions of competitiveness and employment varies in a range of 4 to 5, out 7, with the only exception of the political dimension, where the free trade agreements are perceived as not being effective.

People are more positive regarding the effectiveness of the free trade agreements in terms of trade, as we could expect, and in terms of technological impact (the dimensions of these two concepts varies between 5 and 6).

In general, people do not believe that free trade agreements are effective and will improve the equality, or have a positive impact in terms of social and the environment, neither on the investment climate. All the dimensions from equality, social and environmental impact and investment are below the border line of 4. The exception is the investment climate component.

Figure 20: Mean Analysis

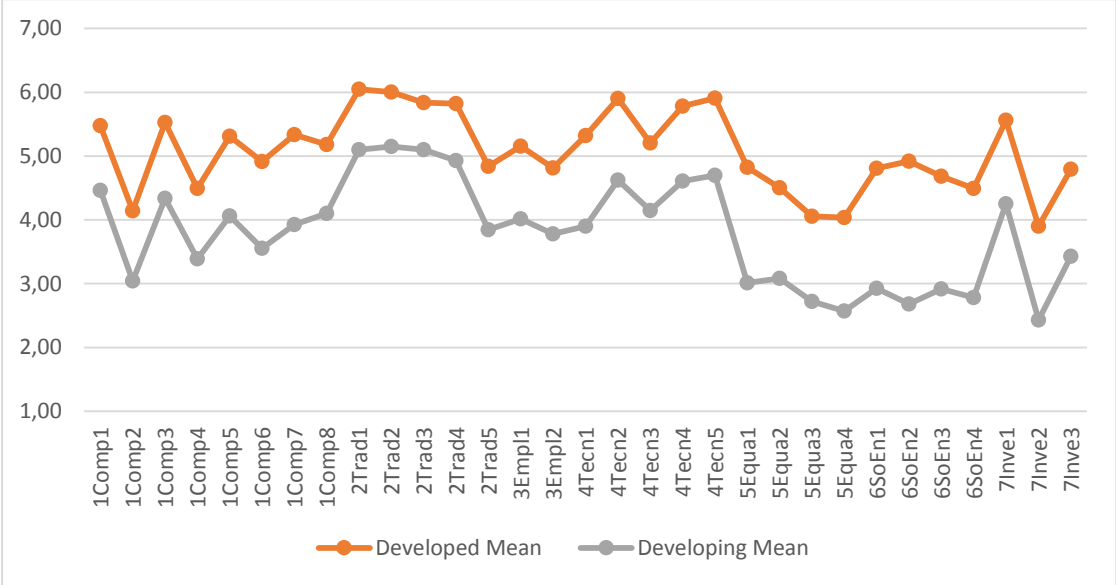


Source: own work.

As it can be seen in Figure 42, People from developed countries are far more positive in all the pillars, and all components, than people from developing countries. It is interesting to note that people from developing countries think that the free trade agreement will have a positive impact over all the seven pillars, and even more notable is the fact that they think that free trade agreements are effective all over the components (the only component that is below 4, but it is almost there, is the corruption level component). In the case of developing countries the outlook changes drastically: trade and the technological sphere are the two pillars where people perceived that a free trade agreement could be effective. People from developing countries do not show a really optimistic perception about the effectiveness on competitiveness and employment, which on average is around 4.

Equality, social and environmental and Investment are the three pillars that are not seen as points where the free trade agreement can be positive. The first two are even under 3.

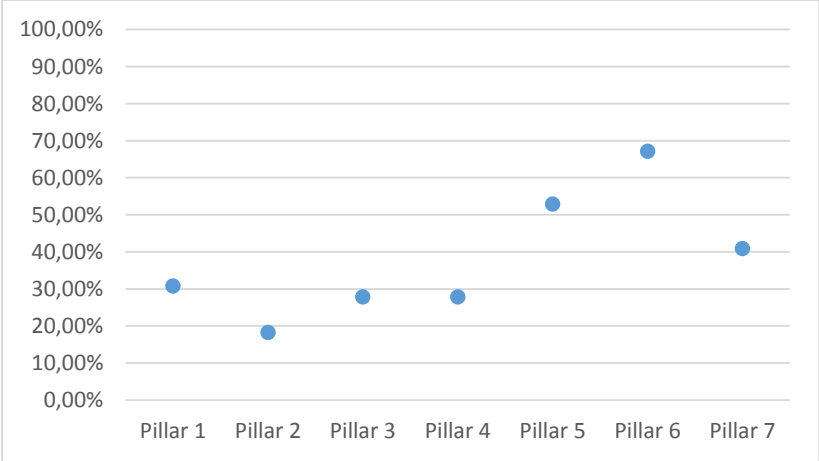
Figure 21: Mean Analysis



Source: own work.

We have already said that people from developed countries are more positive than people from developing countries towards the effectiveness of free trade agreements, but in how much? On average, and as it is seen on Figure 43, people from developed countries are 30% more positive in terms of the effectiveness on the competitiveness, employment and technological impact, and 20% more positive on the effects on the trade. The biggest differences are on investment (40% more positive), equality (more than 50% positive) and social and environmental impact (almost 70% more positive).

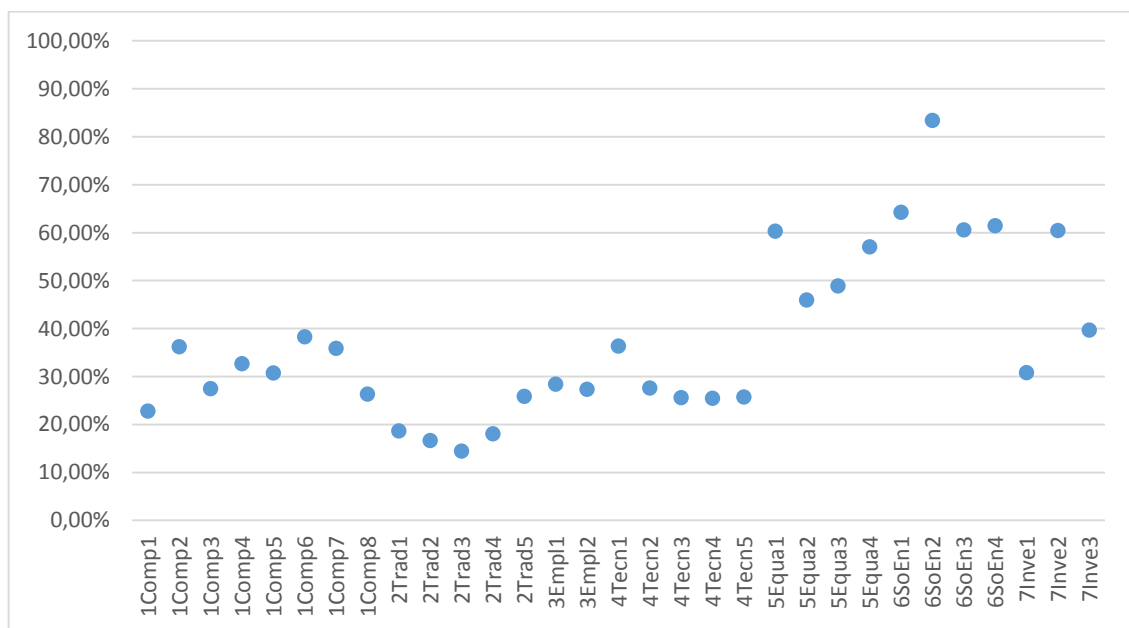
Figure 22: Variation Analysis



Source: own work.

If we take a look on the dimensions (components) of each pillar, we could divide the graph in the same two parts as we did at the beginnings: the first four pillars and the last three (see Figure 44). Competitiveness and the technological impact are the two pillars where developed countries are between 20% and 40% more positive, while the range is a bit smaller in the case of employment (between 25% and 30%) and trade (between 10% and 20%). The biggest differences are on equality, social and environmental impact and the investment. People from developed countries are at least 40% more positive when it comes to the equality, reaching almost 60% when appointing the effectiveness of the free trade agreement as a source for increasing the welfare of the developing country. They also are at least 60% more positive in terms of the social and environmental impacts, reaching almost 85% when appointing the effectiveness of the free trade agreements as a source for having a positive impact on the environment. Regarding to the investment, they are between 30% and 40% more positive, with the exception of the impact on reducing the corruption level, where they are 60% more positive.

Figure 23: Variation Analysis



Source: own work.

Pillar 1: Competitiveness. People from developed countries perceived the FTA as being an effective tool to improve the competitiveness in all its dimensions: infrastructure, macroeconomic environment, education and training system, goods and services market efficiency, but specially as a factor that will improve the national industry performance and the economic growth.

Although having a positive perception, the impact on the political stability and at the institutions level are seen as the two factors that could be improved with the FTA.

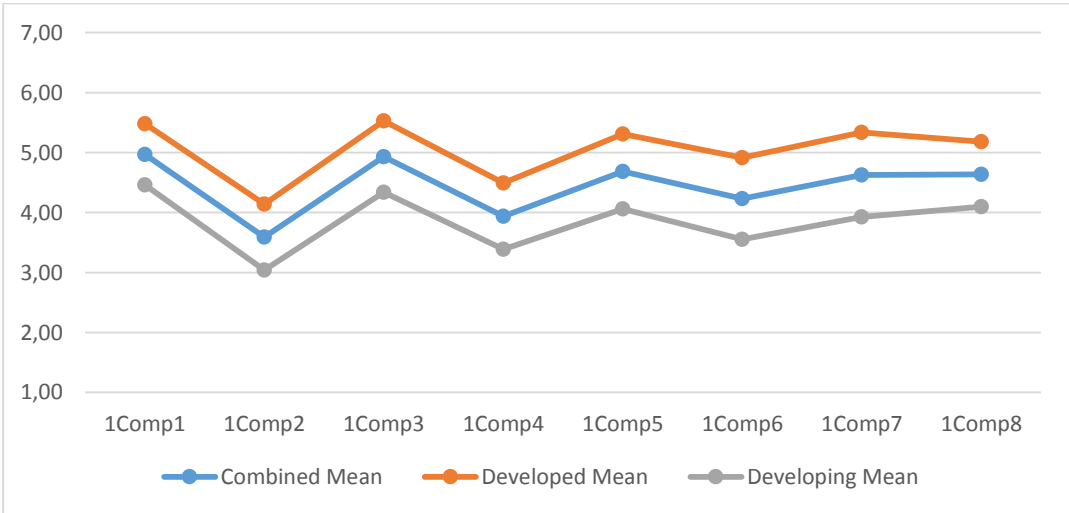
The big picture changes when we talk about people from developing countries. They perceived that the FTA will have a positive impact in terms of competitiveness through the: improvement of the economic growth, the boosting of the national industry performance, the improvement of the infrastructure level and the increase on the efficiency of the goods and market services. But, in what is related to the impact on the political stability, the institutions level, the stability of the macroeconomic level, and the education and training system, the FTA is not perceived as an effective instrument. A graphical representation is shown in the Figure 45.

Table 23: Mean table

Component	Combined Mean	Developed Mean	Developing Mean
1Comp1	4,97	5,48	4,46
1Comp2	3,59	4,14	3,04
1Comp3	4,93	5,53	4,34
1Comp4	3,94	4,49	3,39
1Comp5	4,68	5,31	4,06
1Comp6	4,23	4,92	3,55
1Comp7	4,63	5,33	3,93
1Comp8	4,64	5,18	4,10

Source: own work.

Figure 24: Competitiveness



Source: own work.

Pillar 2: Trade. In terms of trade (see Figure 46), both groups perceived the FTA as a good instrument (people from developed countries being always more positive than people from developing) in order to: boost the trade, the exports and the imports from the

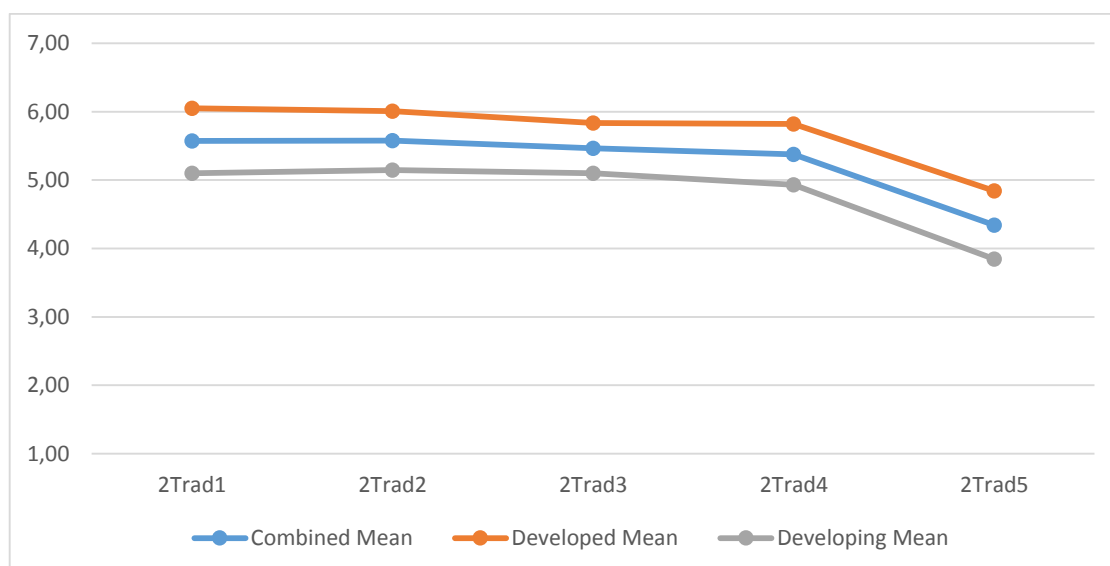
developing countries, and to diminish the administrative barriers. The eventual negative impact due to exchange rate fluctuations is not seen as a risk by the people from developed countries, while it is for people from developing countries.

Table 24: Trade

Component	Combined Mean	Developed Mean	Developing Mean
2Trad1	5,57	6,05	5,10
2Trad2	5,58	6,00	5,15
2Trad3	5,47	5,84	5,10
2Trad4	5,37	5,82	4,93
2Trad5	4,34	4,84	3,85

Source: own work.

Figure 25: Trade



Source: own work.

Pillar 3: Employment. Both groups perceived an improvement on the employment rate as a consequence of FTA, although is not really clear for people from developing countries.

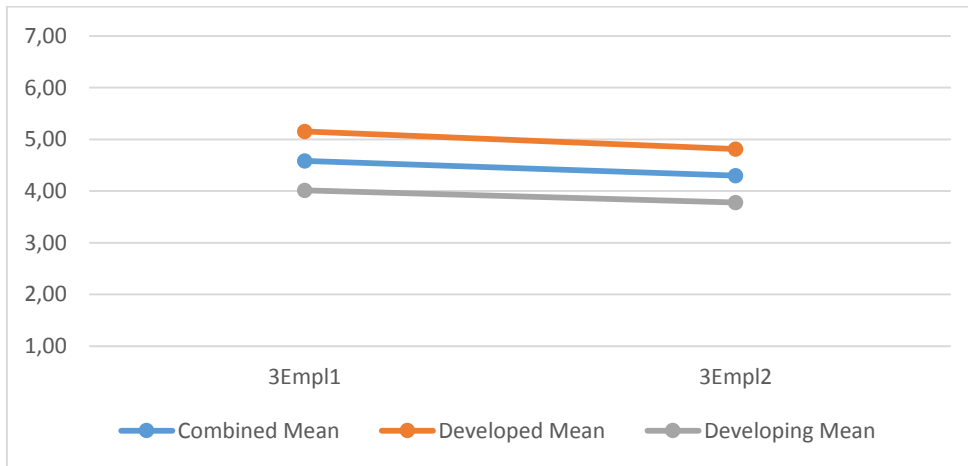
Regarding to the effect on the labour market efficiency, FTA are perceived as being effective for people from developed countries, but not for people from developing countries. A graphical representation is shown in Figure 47.

Table 25: Employment

Component	Combined Mean	Developed Mean	Developing Mean
3Empl1	4,58	5,15	4,01
3Empl2	4,30	4,82	3,78

Source: own work.

Figure 26: Employment



Source: own work.

Pillar 4: Technological impact. Regarding to the Technological Impact, FTAs are perceived by people from developed countries as an effective tool (all above 5 out of 7) to: boost the productivity, have a positive technological impact, improve the production quality, improve the way of doing business and bring innovation.

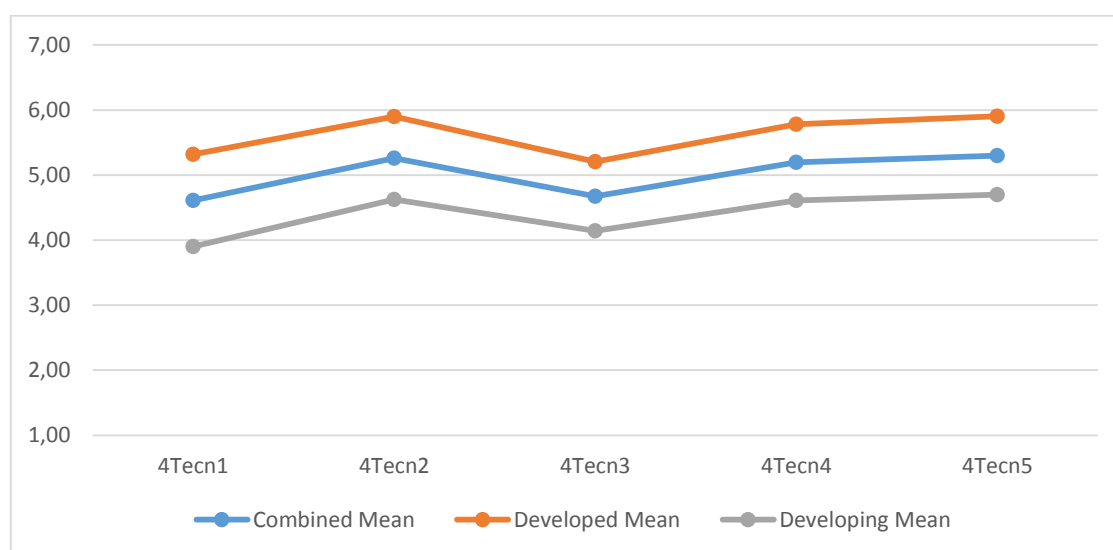
Although people from developing countries are less optimistic (between 4 and 5 in a scale of 7), FTAs are perceived as having a good impact in all the dimensions, but not when it comes to improve the productivity of developing countries. A graphical representation is shown in Figure 48.

Table 26: Technological impact

Component	Combined Mean	Developed Mean	Developing Mean
4Tecn1	4,61	5,32	3,90
4Tecn2	5,26	5,90	4,62
4Tecn3	4,67	5,20	4,14
4Tecn4	5,19	5,78	4,61
4Tecn5	5,30	5,91	4,70

Source: own work.

Figure 27: Technological impact



Source: own work.

Pillar 5: Equality. When it comes to the point of equality, the perception of both groups are just the opposite (see Figure 49). People from developing countries do not perceive the FTA as a good tool to improve the equality at all. In their opinion, FTA will not increase the welfare or the real income, and even worst, will not improve the human development neither reduce the inequalities across the society.

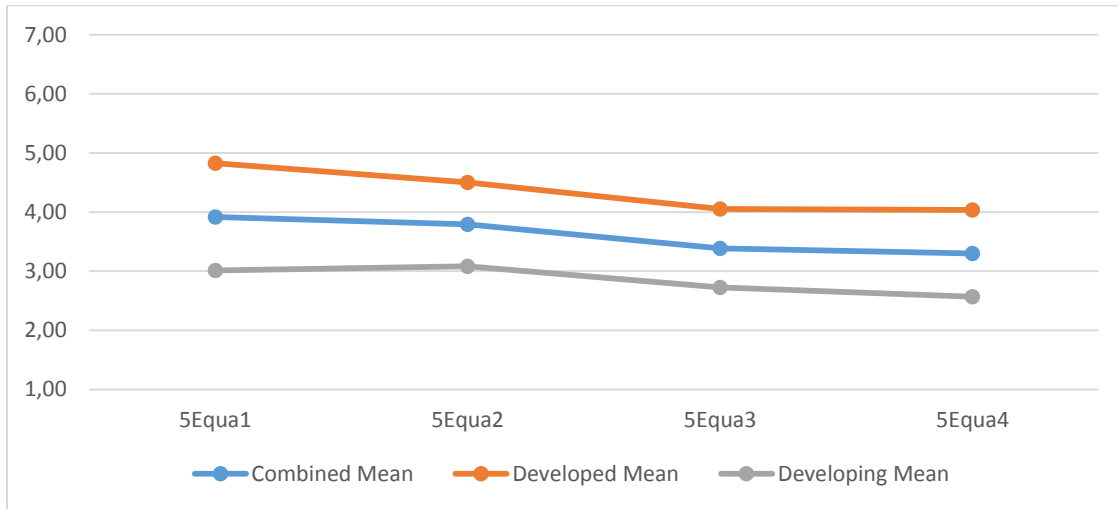
People from developed countries, having a more positive perception, think that there is going to be a positive impact in terms of increasing the welfare and the real income, and in a lower size, the human development and the reduction of inequalities across the society.

Table 27: Equality

Component	Combined Mean	Developed Mean	Developing Mean
5Equal1	3,92	4,83	3,01
5Equal2	3,79	4,50	3,08
5Equal3	3,39	4,05	2,72
5Equal4	3,30	4,03	2,57

Source: own work.

Figure 28: Equality



Source: own work.

Pillar 6: Social and environmental impact. Regarding the potential social and environmental impact, the perception is again the opposite.

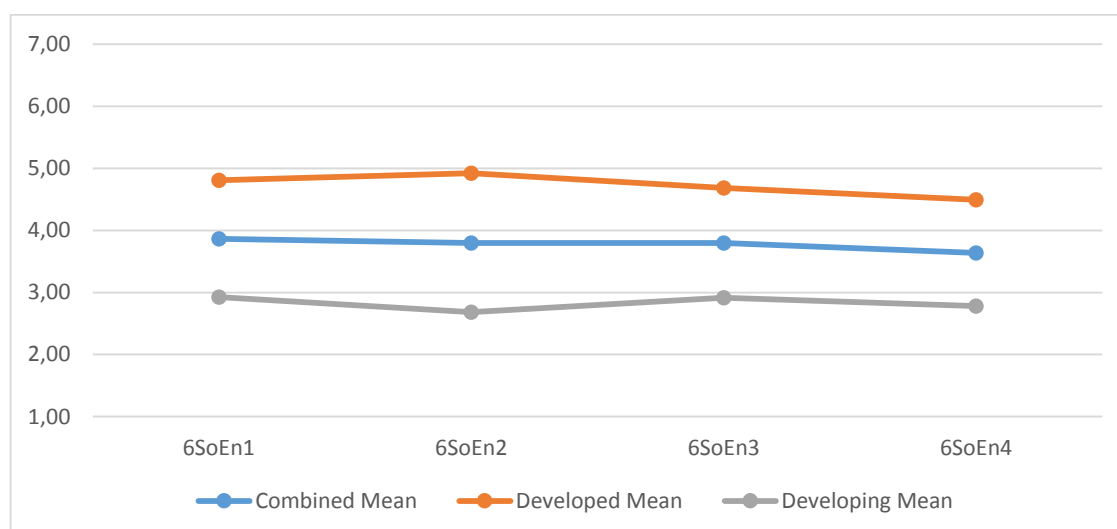
People from developed countries being far more positive (in a range of 4,5 and 5) than people from developing countries (in a range of 2,5 and 3), who actually do not perceive the FTA as an effective tool to: have a social development impact or a positive environmental impact, neither a positive impact on the quality of the community nor in the life satisfaction of the developing country. A graphical representation is shown in Figure 50.

Table 28: Social and environmental impact

Component	Combined Mean	Developed Mean	Developing Mean
6SoEn1	3,86	4,81	2,93
6SoEn2	3,80	4,92	2,68
6SoEn3	3,80	4,68	2,92
6SoEn4	3,64	4,49	2,78

Source: own work.

Figure 29: Social and environmental impact



Source: own work.

Pillar 7: Investment. FTAs are perceived by both groups (developed countries ranked 5,5 and developing did 4,25, out of 7) as an effective instrument for improvement the investment climate. The only component of all the pillars where people from developed countries do not see any benefits from the FTA is on the power to reduce the corruption level (3,90 out of 7), and as we could expect, people from developing countries do not see either (2,43 out of 7).

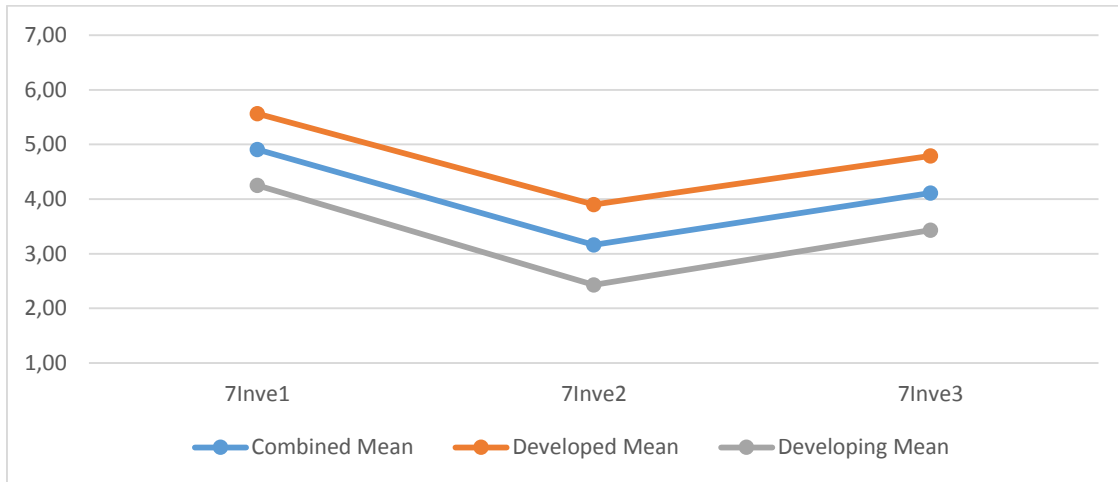
People from developing countries also do not recognize the effectiveness of FTA to boost the financial market, while people from developed countries do so. A graphical representation is shown in Figure 51.

Table 29: Investment

Component	Combined Mean	Developed Mean	Developing Mean
7Inve1	4,91	5,56	4,25
7Inve2	3,16	3,90	2,43
7Inve3	4,11	4,79	3,43

Source: own work.

Figure 30: Investment



Source: own work.

4.1.6 Factor and Clustering Analysis

Although it seems superficial, it is important to note that when trying to reduce the dimensions of the data analysed, the factor analysis was not effective. Even though we got almost 76% of the variation explained by 3 factors (see Appendix 24), this result does not offer any better perspective for the data analysis. The major cause is the fact that the survey was carried out through one question directly related to one component that explains one dimension pre assigned of each pillar. The most logical thing here would be the fact to reduce all the components into seven pillars, but this is not aligned with our methodology and does not offer any better findings.

What actually gave us quite interesting insights, that we could imagine or suppose before doing the research, is the clustering analysis. With the data collected, and just right after performing the Hierarchical Clustering and obtaining the dendogram (see Appendix 24), the optimal number of clusters is 4. Going further in our analysis, the k-means clustering shows us the following 4 clusters:

- Cluster 1: Average developing;
- Cluster 2: Average developed;
- Cluster 3: Very pessimistic developing; and
- Cluster 4: Very optimistic developed.

It is quite obvious to find 2 kind of groups, which are at the same time divided in 2 more: first citizens of developing countries and citizens of developed countries (who somehow

have a different and unique pattern of perception) and among those the optimistic and the pessimistic.

In other words, as we already analysed people from developed countries are more positive towards the effectiveness of the free trade agreements than people from developing countries, but among each of those two groups there are people who have a more optimistic pattern in one side and a more pessimistic pattern in the other side.

The cluster 1, called average developing, is the one where people have an average perception (between 3 and 5) over all the pillars and are more likely to be from developing countries. The cluster number 2, called average developed, is the one where people have an average perception but more positive than cluster 1 (between 4 and 6) over all the pillars and are more likely to be from developed countries.

The cluster 3, has shown a very low perception (values between 1 and 2) over all the pillars and are more likely to be the extremely pessimistic from the developing countries. The cluster 4, is just the opposite of the cluster 3, where there is a very high perception (values between 6 and 7) over all the pillars and more likely to be the extremely optimistic from developed countries.

4.1.7 Demographic Statistics

As it was used before, and for a better understanding of the results, each of the Pool of Hypothesis used on the Testing was assigned one Component number as follows (see Table 30).

Table 30: References

Component	Question
1Comp1	FTA between developed countries and developing countries will improve the economic growth of the developing country.
1Comp2	FTA between developed countries and developing countries will have a positive impact on the Political Stability of the developing country.
1Comp3	FTA between developed countries and developing countries will NOT diminish the performance of the National Industry (core sector) of the developing country.
1Comp4	FTA between developed countries and developing countries will have a positive impact on institutions level of the developing country.
1Comp5	FTA between developed countries and developing countries will have a positive impact on infrastructure of the developing country.
1Comp6	FTA between developed countries and developing countries will have a positive impact on the stability of the macroeconomic environment of the developing country.
1Comp7	FTA between developed countries and developing countries will have a positive impact on the education and training system of the developing country.
1Comp8	FTA between developed countries and developing countries will increase the efficiency of the goods and services market of the developing country.

table continues

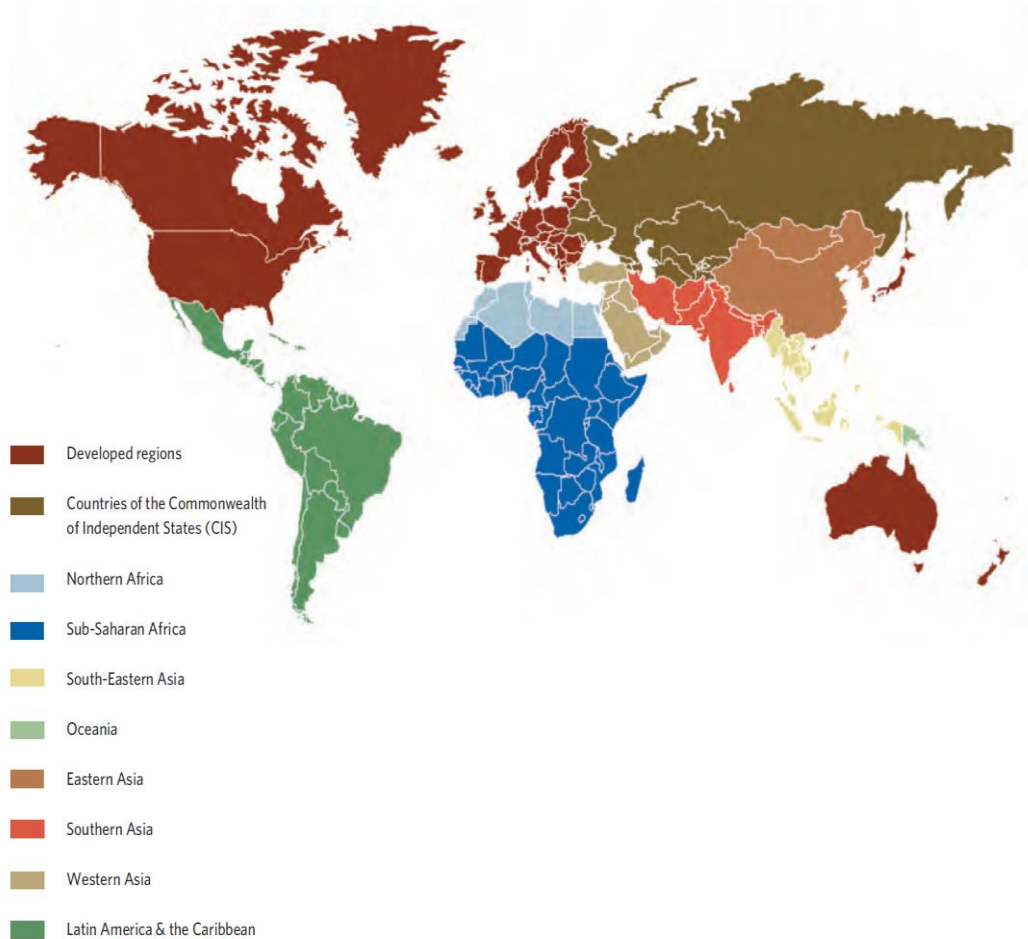
Table 30. References (continued)

Component	Question
2Trad1	FTA between developed countries and developing countries will boost the trade of the developing country
2Trad2	FTA between developed countries and developing countries will boost the exports of the developing country.
2Trad3	FTA between developed countries and developing countries will make increase the imports of the developing country.
2Trad4	FTA between developed countries and developing countries will diminish the administrative barriers, and help a developing country.
2Trad5	FTA between developed countries and developing countries will NOT have a negative effect on a developing country due to the exchange rate.
3Empl1	FTA between developed countries and developing countries will boost the employment rate of the developing country.
3Empl2	FTA between developed countries and developing countries will increase the efficiency of the labour market of the developing country.
4Tecn1	FTA between developed countries and developing countries will boost the productivity of the developing country.
4Tecn2	FTA between developed countries and developing countries will have a positive technological impact on the developing country.
4Tecn3	FTA between developed countries and developing countries will have a positive impact on the production quality of the developing country.
4Tecn4	FTA between developed countries and developing countries will have a positive impact on the way of doing business of the developing country.
4Tecn5	FTA between developed countries and developing countries will bring innovation to the developing country.
5Equa1	FTA between developed countries and developing countries will increase the welfare of the developing country.
5Equa2	FTA between developed countries and developing countries will increase the real income of the developing country.
5Equa3	FTA between developed countries and developing countries will improve the human development of the developing country.
5Equa4	FTA between developed countries and developing countries will reduce the inequalities across the society of the developing country.
6SoEn1	FTA between developed countries and developing countries will have a positive impact on the social development of the developing country.
6SoEn2	FTA between developed countries and developing countries will have a positive environmental impact on the developing country.
6SoEn3	FTA between developed countries and developing countries will improve the quality of the community of the developing country.
6SoEn4	FTA between developed countries and developing countries will have a positive impact on the life satisfaction of the developing country.
7Inve1	FTA between developed countries and developing countries will improve the investment climate of the developing country.
7Inve2	FTA between developed countries and developing countries will reduce the corruption level of the developing country.
7Inve3	FTA between developed countries and developing countries will boost the financial market development of the developing country.

Source: own work.

The Regional Groupings done by the United Nations System (United Nations, 2009) was the basis for our Demographic Statistics by Regions (see Figure 52).

Figure 31. Regional Groupings by United Nations



Source: United Nations (2009).

In order to obtain a sufficient number of respondents we have incorporated smaller sub-regions into larger areas. Thus we obtained six regions, which were later used in our statistical analysis:

- Africa
- Asia and Pacific
- Europe
- Latin America and Caribbean
- North America
- Commonwealth of Independent States including Ukraine and Georgia (or former USSR countries, excluding Baltic states)

Statistics by Region. When we look at the survey results broken down by regions and pillars (see Figure 53) we can see a clear division in the attitudes of people from different areas. People from the two most developed regions – North America and Europe, have the most positive opinion about the effects of free trade regarding all seven pillars measured. In fact, these two groups are the only ones, where positive feedback was received for all pillars without exception.

People from the former Soviet Union countries (the group does not include Baltic states), most of which are now members of the Commonwealth of Independent States, are a little less optimistic about the benefits of free trade. It is interesting to see that, although these countries cannot be placed in the developed countries category, the opinion of their citizens about free trade is considerably different from other underdeveloped countries. In fact, the results show that they are much closer to the group of developed countries in the way they perceive the effects of free trade. They perceive the effects on the majority of pillars to be positive. The only pillars, where the opinion is slightly negative – the ones relating to equality, social and environmental fields – still show a considerably higher score than the remaining three groups of countries.

Finally, Africa, Asia and Pacific, Latin America and the Caribbean all show relatively similar results in their attitudes towards free trade. Although these groups contain some countries with a high level of development, the average opinion about the effects of free trade is generally negative (Africa and Latin America showed scores below “4” for five pillars out of seven, while Asia and Pacific – three out of seven). It is evident that people in African and Latin American countries have a very similar attitude towards free trade. Their results go neck and neck with just one significant difference.

People in Latin America and the Caribbean showed more faith in the positive impact of free trade agreements on the development of trade per se. In this aspect Latin Americans are more similar to people from Asia and Pacific. At the same time Africa showed better reception of the statement that free trade has a positive impact on the investment climate – in this respect, it is the Africans who are closer in their views about free trade to Asians.

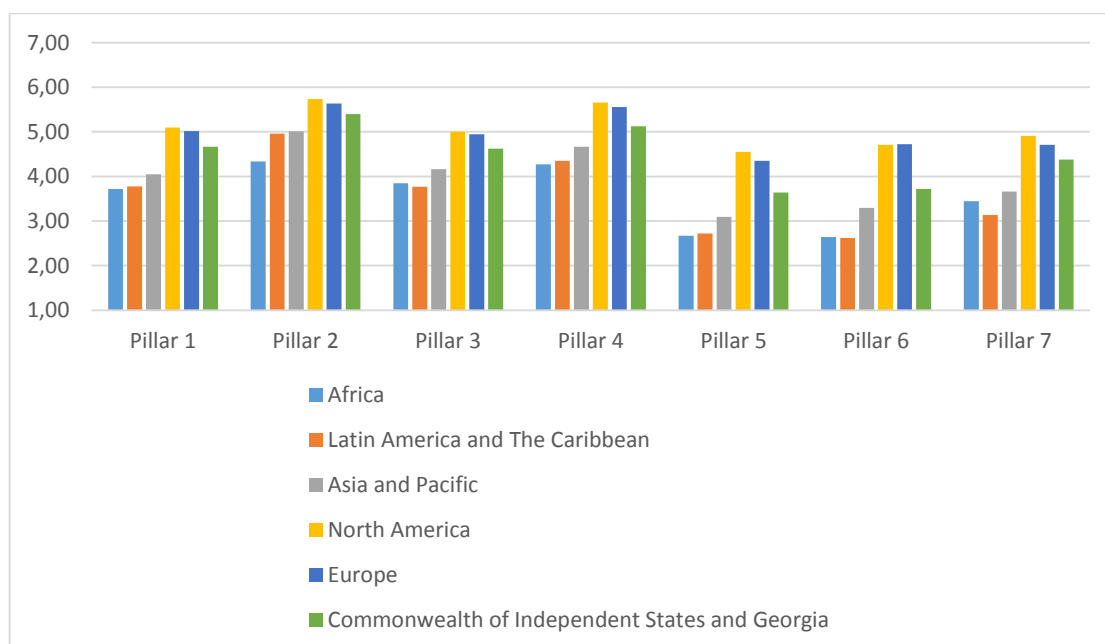
Yet again, it is important to note that despite the fact that the region of Asia and Pacific includes more developed countries, on average their perception of the benefits of free trade is considerably lower than in the countries of the former Soviet Union. The reasons for this phenomenon could be further studied and this could lead to interesting findings about the possibilities of socio-economic development of the region.

Table 31: Statistics by Region

	Africa	Latin America and The Caribbean	Asia and Pacific	North America	Europe	Commonwealth of Independent States and Georgia
Pillar 1	3,72	3,78	4,05	5,09	5,02	4,66
Pillar 2	4,33	4,96	5,01	5,74	5,64	5,40
Pillar 3	3,85	3,77	4,16	5,00	4,95	4,63
Pillar 4	4,27	4,35	4,66	5,65	5,55	5,13
Pillar 5	2,67	2,72	3,09	4,55	4,35	3,64
Pillar 6	2,64	2,62	3,30	4,71	4,72	3,72
Pillar 7	3,44	3,13	3,66	4,91	4,71	4,38

Source: own work.

Figure 32: Statistics by Region



Source: own work.

When we break down every pillar by component and look at the results we can see the same general pattern (see Figure 54). It is interesting to note that all components of competitiveness received positive response from the CIS countries.

Responses from Asia and Pacific are generally closer to those from Africa and Latin America, however Asians were more positive in questions relating to the impact on the core national industry. Africans were the most pessimistic group regarding the effects on economic growth, political stability, and the level of public institutions, macroeconomic development and education. At the same time, they believe the poorer country will benefit from a free trade agreement in terms of infrastructure. Here they are much more optimistic than the people from Latin America and Caribbean.

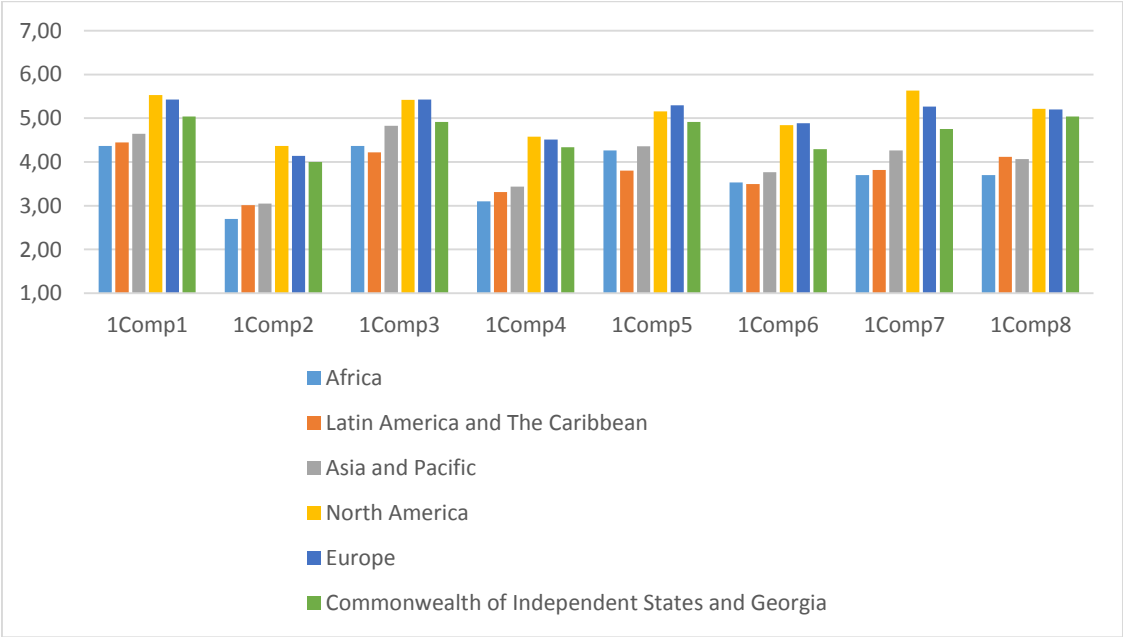
With regards to the impact on the macroeconomic environment, Africans and Latin Americans have almost identical perception.

Table 32: Statistics by Pillars – Competitiveness

	Africa	Latin America and The Caribbean	Asia and Pacific	North America	Europe	Commonwealth of Independent States and Georgia
1Comp1	4,37	4,44	4,64	5,53	5,43	5,04
1Comp2	2,70	3,01	3,05	4,37	4,14	4,00
1Comp3	4,37	4,22	4,83	5,42	5,43	4,92
1Comp4	3,10	3,31	3,44	4,58	4,51	4,33
1Comp5	4,27	3,80	4,36	5,16	5,30	4,92
1Comp6	3,53	3,49	3,77	4,84	4,88	4,29
1Comp7	3,70	3,81	4,27	5,63	5,27	4,75
1Comp8	3,70	4,11	4,06	5,21	5,20	5,04

Source: own work.

Figure 33: Statistics by Pillars – Competitiveness



Source: own work.

When looking at the break down of components of the trade pillar (see Figure 55), we can see a much homogeneous response from groups. Of course, there are still regional differences and they follow the same trend, but here they are not so evident.

Africans are the most pessimistic group and their negative opinion about the benefits of free trade for the poorer country go across all the components – no other group showed a more negative perception. In particular, people from Africa do not believe free trade can help the poorer country increase imports and at the same time not crash the value of the local currency. Latin Americans and Asians here showed very similar results and for every component their response is almost identical.

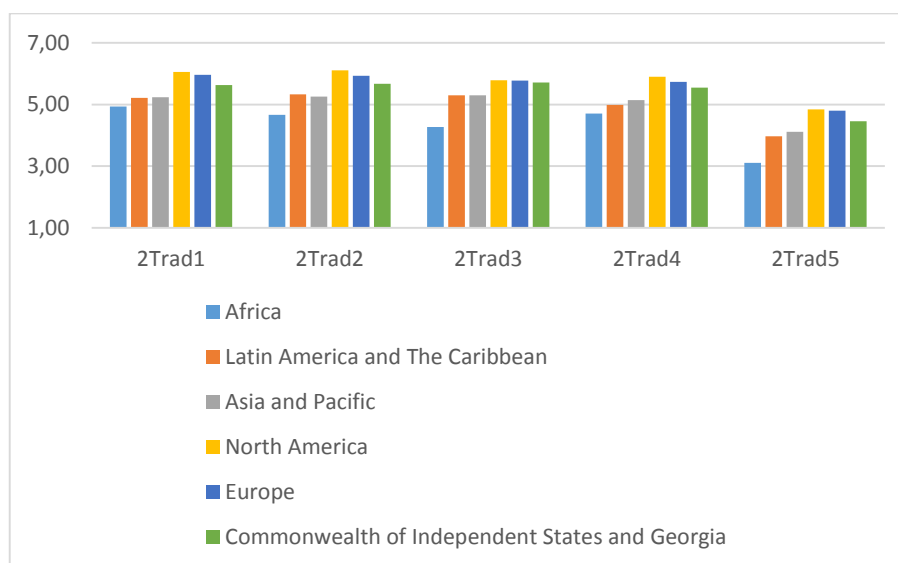
North Americans and Europeans showed the same positive opinion about the impact of free trade on exchange rates for the poorer countries and that imports in poorer countries will increase. In the latter case people from the CIS region shared the same opinion

Table 33: Statistics by Pillars – Trade

	Africa	Latin America and The Caribbean	Asia and Pacific	North America	Europe	Commonwealth of Independent States and Georgia
2Trad1	4,93	5,22	5,23	6,05	5,96	5,63
2Trad2	4,67	5,33	5,25	6,11	5,93	5,67
2Trad3	4,27	5,30	5,30	5,79	5,77	5,71
2Trad4	4,70	4,98	5,14	5,89	5,73	5,54
2Trad5	3,10	3,97	4,11	4,84	4,79	4,46

Source: own work.

Figure 34: Statistics by Pillars - Trade



Source: own work.

In the questions on employment (see Figure 56) we can notice the difference in how despite the average negative response from Africans, they still have maintain an opinion that free trade will improve the situation with the number of employed people in the poorer countries. The average score for the employment pillar is pulled below the 4 point mark by their negative opinion about changes in efficiency of the labour market.

Latin America and the Caribbean also showed average negative perception about the employment benefits for poor countries, but unlike Africans, Latin Americans showed consistency in both components of this pillar.

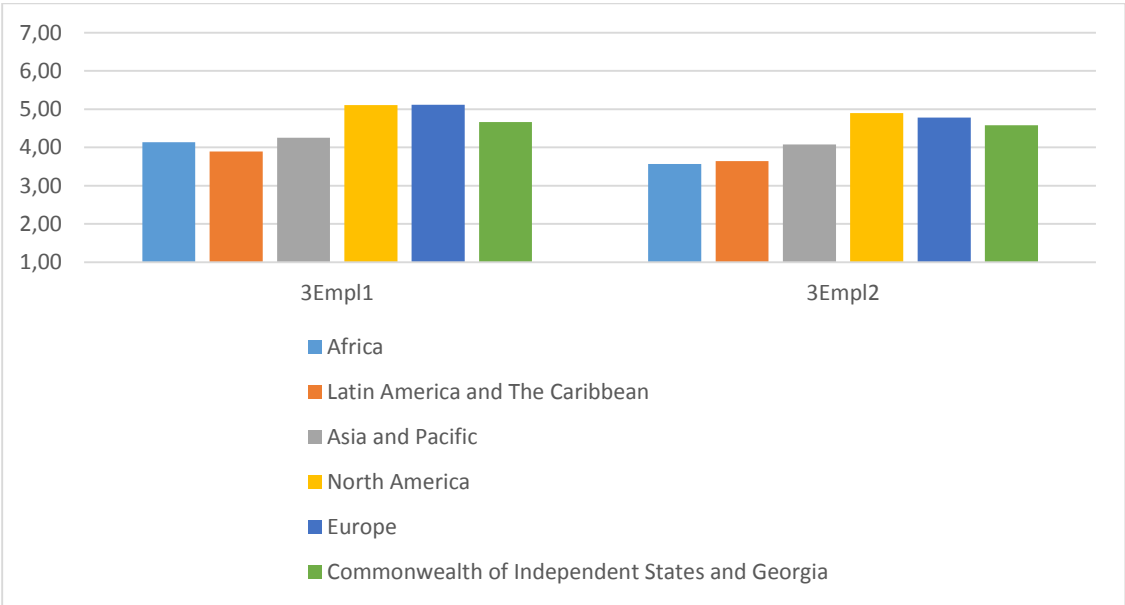
The remaining three groups also have very consistent opinions on both components, just like Latin Americans, but their opinion is always positive. Europeans, North Americans and people from Eastern Europe and Central Asia perceive that poorer countries will actually benefit from free trade in terms of employment and labour market efficiency.

Table 34: Statistics by Pillars – Employment

	Africa	Latin America and The Caribbean	Asia and Pacific	North America	Europe	Commonwealth of Independent States and Georgia
3Empl1	4,13	3,90	4,25	5,11	5,11	4,67
3Empl2	3,57	3,64	4,08	4,89	4,78	4,58

Source: own work.

Figure 35: Statistics by Pillars – Employment



Source: own work.

It is interesting to note that in the technological impact pillar (see Figure 57), people from Africa and Latin America have a negative opinion about the premise that free trade agreements help increase productivity of the poorer nation. In all other components they were always positive.

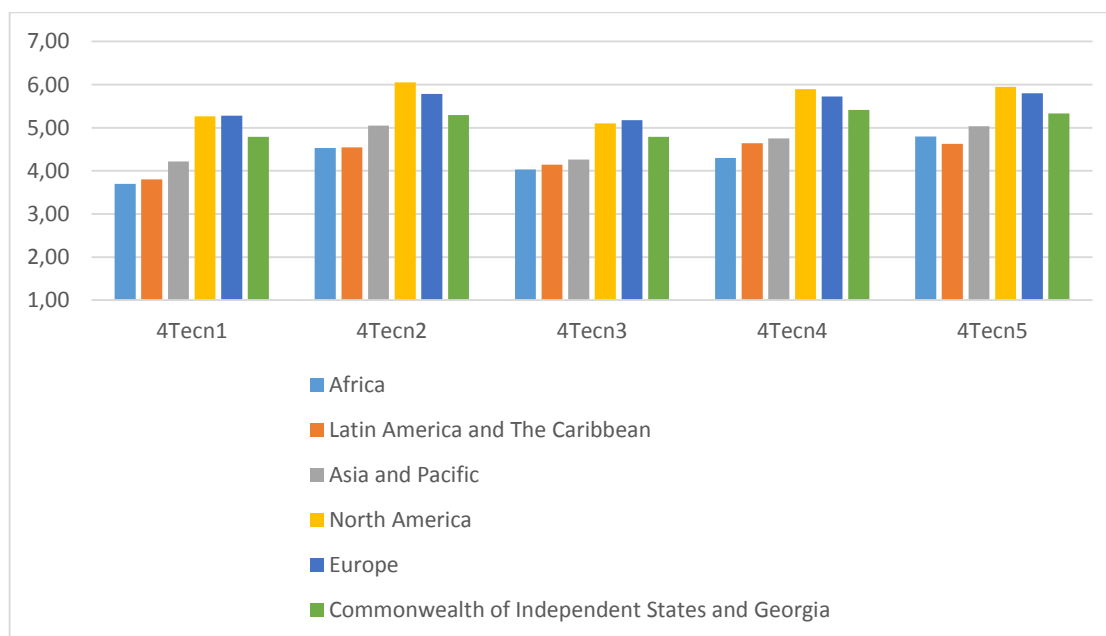
People from other regions showed positive feedback to all components of the pillar, with North Americans being the most positive group, Europeans coming in second and people from the CIS countries coming third in all five components.

Table 35: Statistics by Pillars – Technological impact

	Africa	Latin America and The Caribbean	Asia and Pacific	North America	Europe	Commonwealth of Independent States and Georgia
4Tecn1	3,70	3,80	4,22	5,26	5,28	4,79
4Tecn2	4,53	4,55	5,05	6,05	5,79	5,29
4Tecn3	4,03	4,14	4,27	5,11	5,18	4,79
4Tecn4	4,30	4,64	4,75	5,89	5,73	5,42
4Tecn5	4,80	4,63	5,03	5,95	5,80	5,33

Source: own work.

Figure 36: Statistics by Pillars - Technological impact



Source: own work.

Figure 58 is curious in showing that only Europeans and North Americans believe that free trade brings equality to poorer countries. All other groups have shown scepticism

about all four components of this pillar. In particular, Africans were the most pessimistic, with only Latin Americans “beating them” in their pessimistic perception of effects on human development.

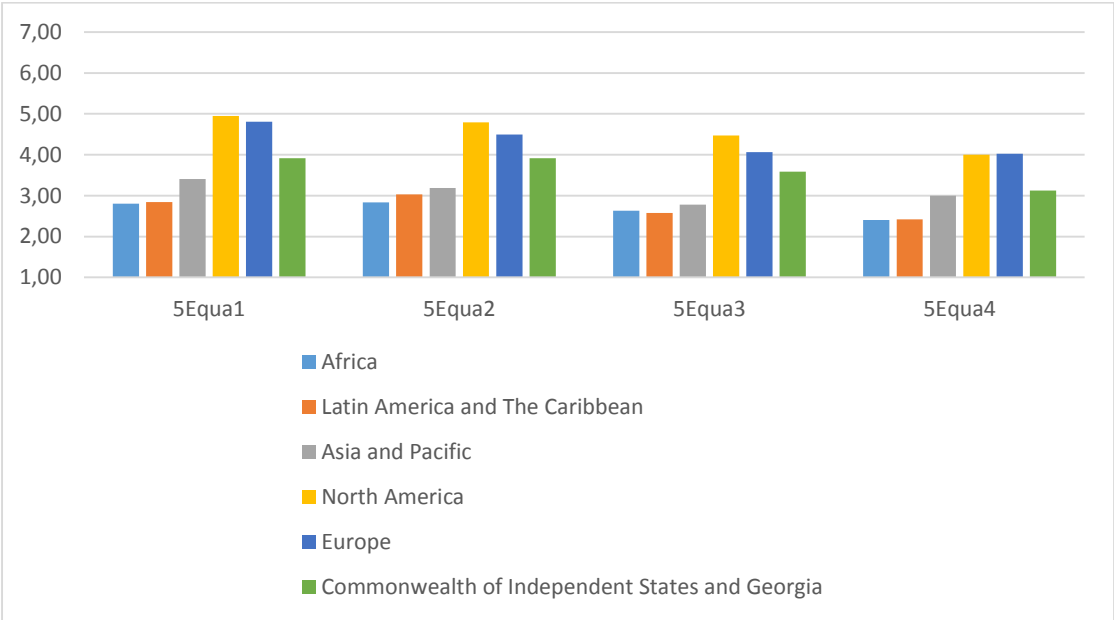
It is interesting that people from former USSR here are more pessimistic than usual and actually in relation to the last component they are closer to the three most pessimistic groups – Africans, Latin Americans and Asians. Especially, in their opinion, free trade does not help diminish inequalities in the developing countries.

Table 36: Statistics by Pillars – Equality

	Africa	Latin America and The Caribbean	Asia and Pacific	North America	Europe	Commonwealth of Independent States and Georgia
5Equa1	2,80	2,85	3,41	4,95	4,80	3,92
5Equa2	2,83	3,03	3,19	4,79	4,50	3,92
5Equa3	2,63	2,58	2,78	4,47	4,07	3,58
5Equa4	2,40	2,42	3,00	4,00	4,02	3,13

Source: own work.

Figure 37: Statistics by Pillars - Equality



Source: own work.

Just like with employment and equality, the pillar on social and environmental impact (see Figure 59) showed that people from Africa and Latin America are similar in their opinions of all components – similar and very pessimistic, showing scored below 3 points

on every component. The breakdown of component scores also shows that people from Asia and Pacific have similar views with people from the CIS countries in the component on the environmental impact.

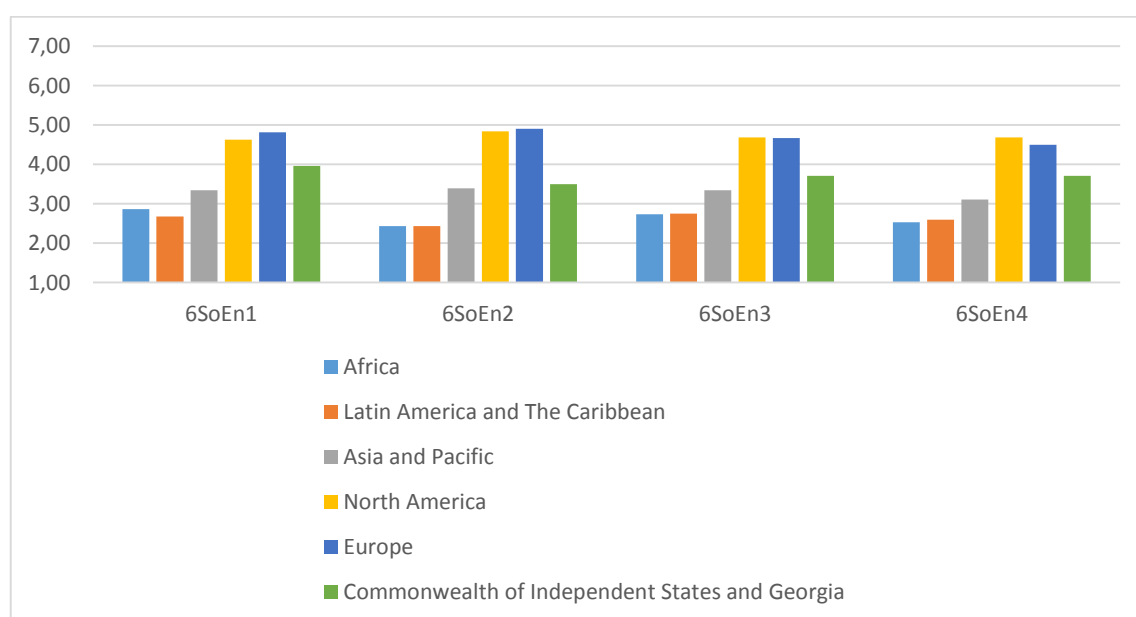
It is also interesting to observe that the impact on environmental became the divisive issue between Africa and Latin America on one side (the most negative response) and North America with Europe on the other side (the most positive response among all components).

Table 37: Statistics by Pillars – Social and Environmental impact

	Africa	Latin America and The Caribbean	Asia and Pacific	North America	Europe	Commonwealth of Independent States and Georgia
6SoEn1	2,87	2,68	3,34	4,63	4,82	3,96
6SoEn2	2,43	2,43	3,39	4,84	4,91	3,50
6SoEn3	2,73	2,75	3,34	4,68	4,67	3,71
6SoEn4	2,53	2,60	3,11	4,68	4,50	3,71

Source: own work.

Figure 38: Statistics by Pillars - Social and Environmental impact



Source: own work.

Finally we arrive at the last pillar (see Figure 60) and here we observe that only one group – North Americans – showed a consistently positive perception regarding all components. In their opinion free trade brings improvements in the investment climate, decreases corruption level and helps develop financial markets of the poorer countries.

We also notice a big gap in perception of the positive impact on corruption level between the citizens of highly developed countries of North America and Europe and the citizens of generally developing nations of Africa and Latin America. In fact, Africans, Latin Americans and Asians responded positively only to one of the three statements, that made up the investment pillar. They agreed that free trade has a positive impact on the investment climate of the developing country.

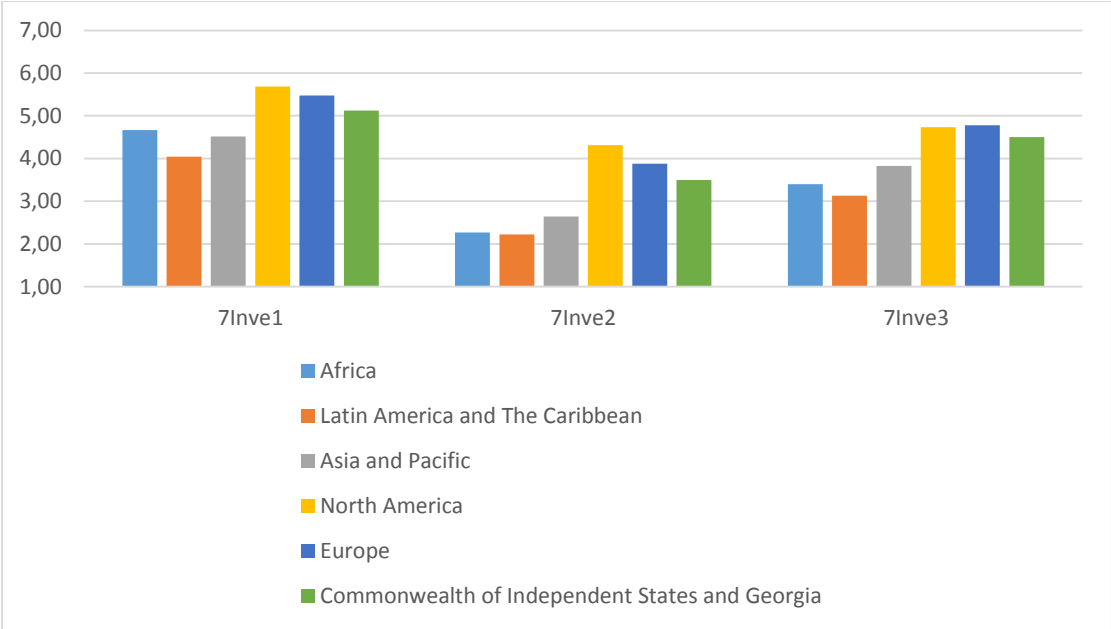
People from the CIS block of countries were more positive and showed scores above the threshold of “4” points on two of the three components – only disagreeing with the corruption statement.

Table 38: Statistics by Pillars – Investment

	Africa	Latin America and The Caribbean	Asia and Pacific	North America	Europe	Commonwealth of Independent States and Georgia
7Inve1	4,67	4,04	4,52	5,68	5,47	5,13
7Inve2	2,27	2,23	2,64	4,32	3,88	3,50
7Inve3	3,40	3,13	3,83	4,74	4,78	4,50

Source: own work.

Figure 39: Statistics by Pillars - Investment



Source: own work.

Other Demographic Statistics. Here we can witness a more detailed picture of what we mentioned earlier – the divide in perception between the citizens of well-off nations and poorer countries (see Figure 61).

People from developing countries had an optimistic view about the effects of free trade on two out of seven pillars. In particular, they agreed that it boosts trade and also provides a source for technological advancement of the developing countries.

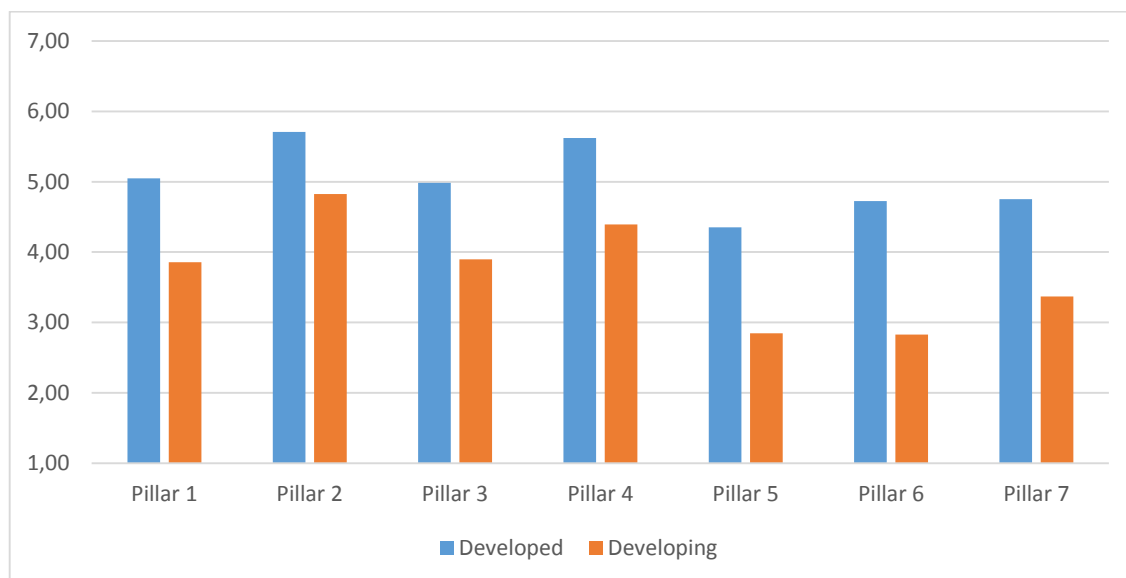
People from developing countries had an especially pessimistic outlook on the effects of free trade on equality, social and environmental situation in poorer nations.

Table 39: Other demographic statistics based on country category

	Developed	Developing
Pillar 1	5,05	3,86
Pillar 2	5,71	4,82
Pillar 3	4,99	3,90
Pillar 4	5,62	4,40
Pillar 5	4,35	2,85
Pillar 6	4,73	2,83
Pillar 7	4,75	3,37

Source: own work.

Figure 40: Other demographic statistics based on country category



Source: own work.

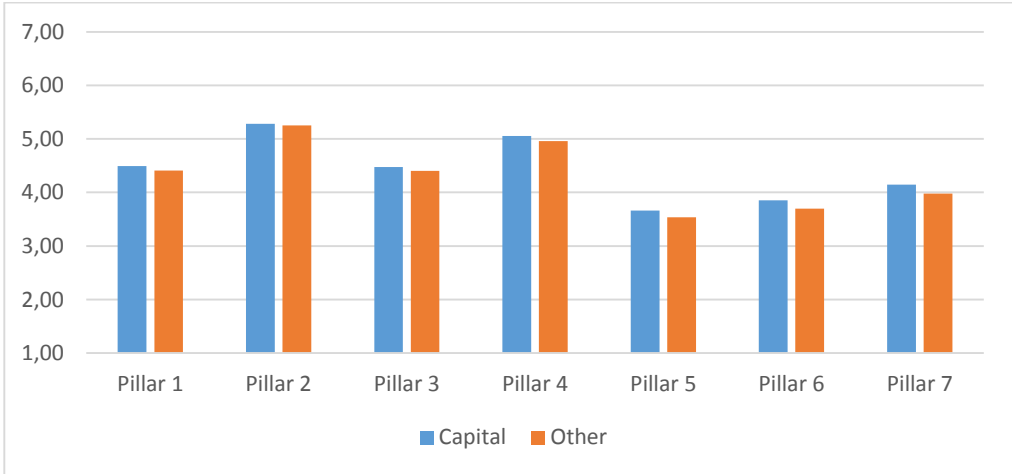
The breakdown of all responders by place of residence (see Figure 62) – either capital city or not – did not show any significant differences in their opinions, however it is worth mentioning that those residing in capital cities have a slightly more positive opinion about the benefits of free trade for the developing countries.

Table 40: Other demographic statistics based on place of residence

	Capital	Other
Pillar 1	4,49	4,41
Pillar 2	5,28	5,25
Pillar 3	4,48	4,40
Pillar 4	5,06	4,96
Pillar 5	3,66	3,54
Pillar 6	3,85	3,70
Pillar 7	4,14	3,98

Source: own work.

Figure 41: Other demographic statistics based on place of residence



Source: own work.

The division by age (see Figure 63) clearly shows that the youngest group of people are more optimistic and on all pillars showed positive opinion about the benefits of free trade. Interestingly, young people have much more faith in the positive effects free trade has on the pillars of equality, social and environmental impacts. Here the most pessimistic are people in the age between 26 and 44, which is also an interesting observation, since they are noticeably more pessimistic than the oldest group of responders.

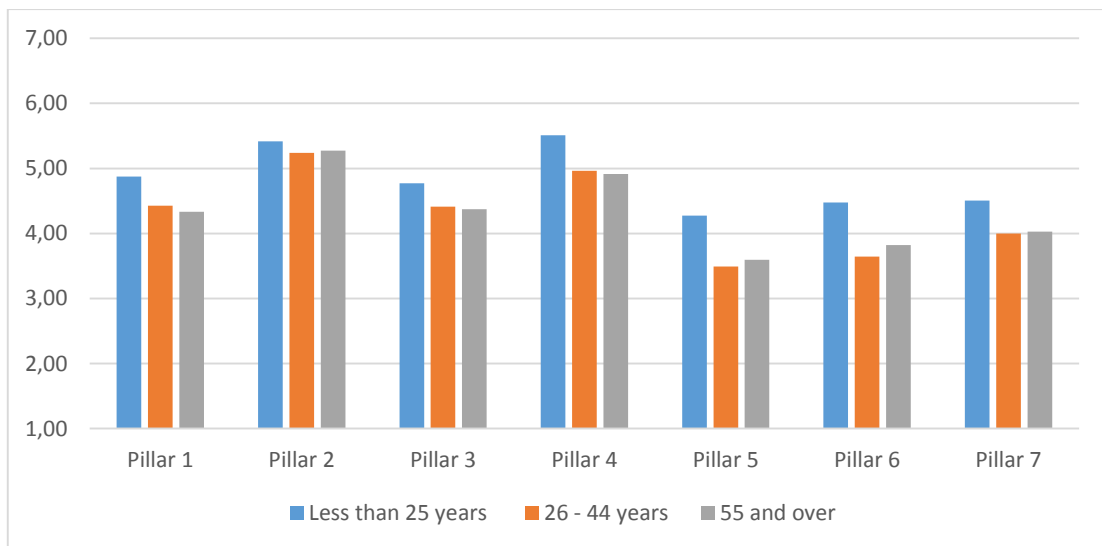
In general, this breakdown could be interpreted in a way that young people have more faith in the benefits of open society, open markets and liberalization, while older generations are more conservative and overall are less optimistic.

Table 41: Other demographic statistics based on age

	Less than 25 years	26 - 44 years	55 and over
Pillar 1	4,88	4,43	4,33
Pillar 2	5,41	5,24	5,27
Pillar 3	4,77	4,41	4,37
Pillar 4	5,51	4,96	4,91
Pillar 5	4,27	3,49	3,59
Pillar 6	4,48	3,64	3,82
Pillar 7	4,51	4,00	4,03

Source: own work.

Figure 42: Other demographic statistics based on age



Source: own work.

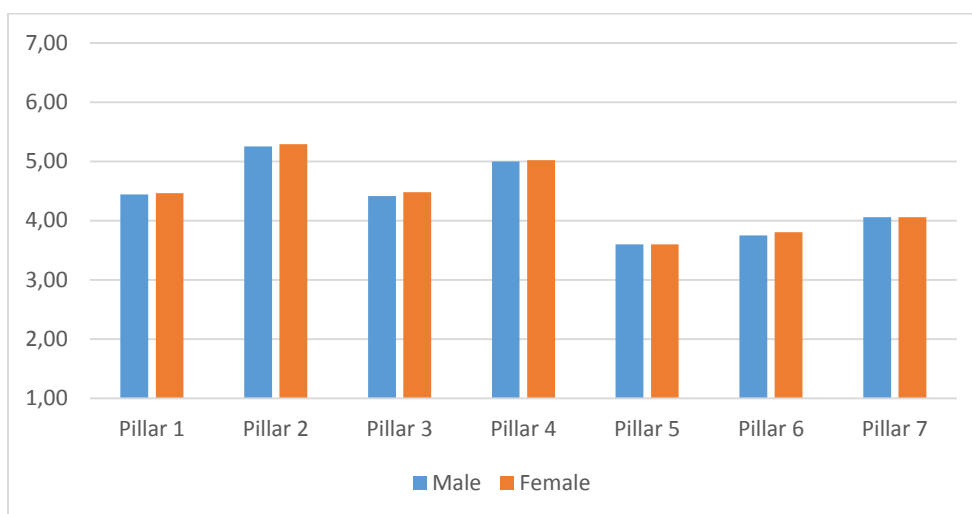
The breakdown by gender (see Figure 64) does not offer us any interesting insights, other than that it confirms equal perception about the benefits of free trade among both genders.

Table 42: Other demographic statistics based on gender

	Male	Female
Pillar 1	4,44	4,46
Pillar 2	5,25	5,29
Pillar 3	4,42	4,48
Pillar 4	5,00	5,02
Pillar 5	3,60	3,60
Pillar 6	3,75	3,81
Pillar 7	4,06	4,06

Source: own work.

Figure 43: Other demographic statistics based on gender



Source: own work.

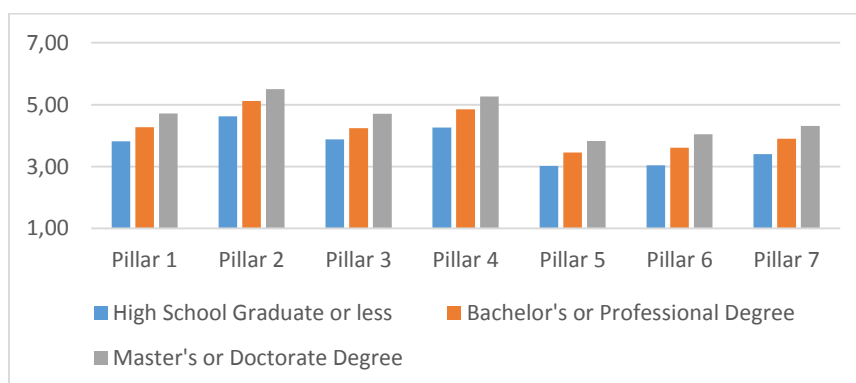
The Figure 65 shows an interesting correlation between the level of education and how positive the perception about free trade is. We can see that the higher the education level, the more optimistic people are about the effects free trade agreements have on developing countries, and this is consistent throughout all seven pillars.

Table 43: Other demographic statistics based on education level

	High School Graduate or less	Bachelor's or Professional Degree	Master's or Doctorate Degree
Pillar 1	3,81	4,27	4,71
Pillar 2	4,62	5,12	5,50
Pillar 3	3,88	4,24	4,70
Pillar 4	4,26	4,85	5,27
Pillar 5	3,02	3,45	3,83
Pillar 6	3,04	3,61	4,04
Pillar 7	3,40	3,90	4,31

Source: own work.

Figure 44: Other demographic statistics based on education level



Source: own work.

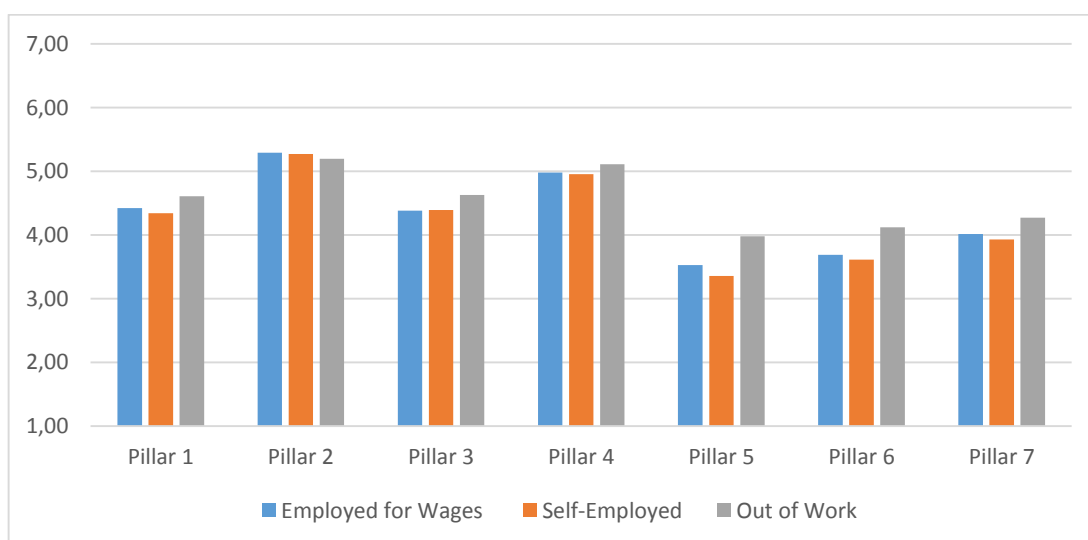
We also divided the responders into three groups based on their type of employment – employed, self-employed and unemployed (see Figure 66). Here the most evident conclusion we can make is that unemployed people were more inclined to agree about free trade having a positive impact on equality in the developing countries. In fact, compared to employed and self-employed people, they are generally more positive about almost all pillars, which is a little surprising.

Table 44: Other demographic statistics based on professional and employment status

	Employed for Wages	Self-Employed	Out of Work
Pillar 1	4,43	4,34	4,61
Pillar 2	5,29	5,27	5,20
Pillar 3	4,38	4,39	4,63
Pillar 4	4,98	4,95	5,11
Pillar 5	3,53	3,36	3,98
Pillar 6	3,69	3,61	4,12
Pillar 7	4,02	3,93	4,27

Source: own work.

Figure 45: Other demographic statistics based on professional and employment status



Source: own work.

Grouping employed responders by the type of employer (see Figure 67) sheds a bit more light, as we can clearly see that people with the most faith in free trade are those working

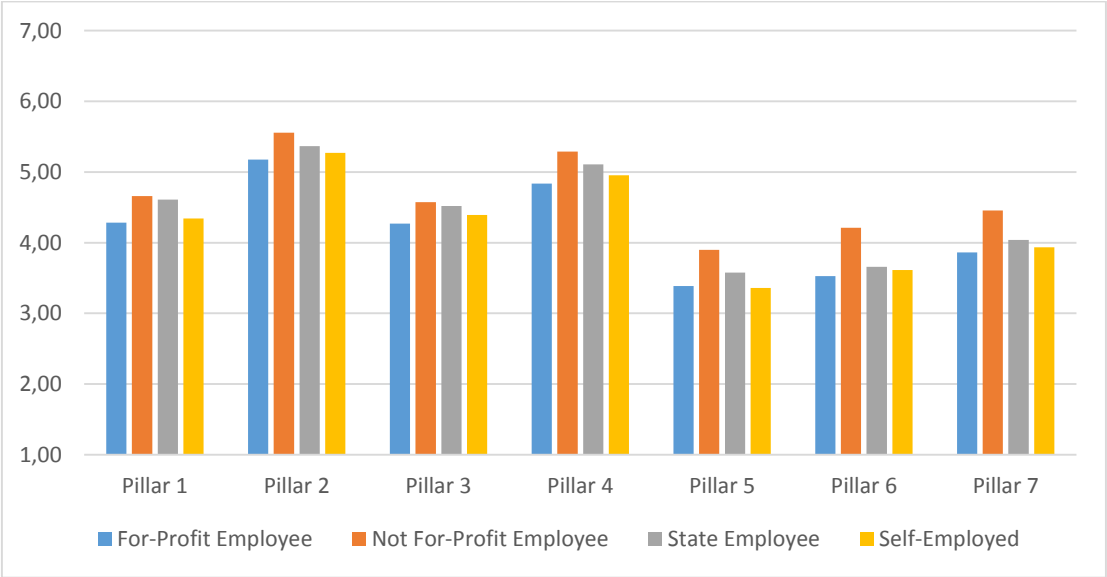
in non-profit organizations. Government employees are a little less positive about the effects of free trade, while for-profit employees and self-employed showed very similar results in how they perceive the benefits of free trade on all seven pillars

Table 45: Other demographic statistics based on employer type

	For-Profit Employee	Not For-Profit Employee	State Employee	Self-Employed
Pillar 1	4,28	4,66	4,61	4,34
Pillar 2	5,18	5,56	5,37	5,27
Pillar 3	4,27	4,57	4,52	4,39
Pillar 4	4,84	5,29	5,11	4,95
Pillar 5	3,39	3,90	3,58	3,36
Pillar 6	3,53	4,21	3,66	3,61
Pillar 7	3,86	4,45	4,04	3,93

Source: own work.

Figure 46: Other demographic statistics based on employer type



Source: own work.

The breakdown of responders based on their income level (see Figure 68) is very self-explanatory. It is very similar to the figure shown earlier with the division based on education level. Here we can see that the higher the income level, the more positive answers we received about free trade benefits for developing countries. The lower the

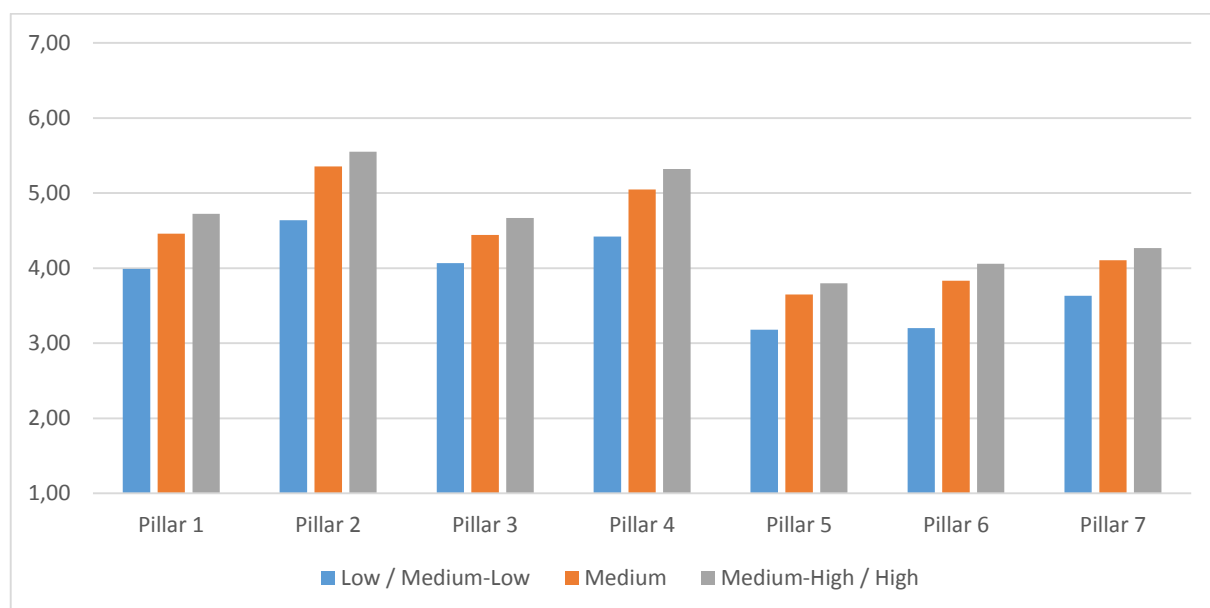
income, the less likely people will perceive liberalization of trade beneficial for the developing countries.

Table 46: Other demographic statistics based on income range

	Low / Medium-Low	Medium	Medium-High / High
Pillar 1	3,99	4,46	4,72
Pillar 2	4,64	5,36	5,55
Pillar 3	4,07	4,44	4,67
Pillar 4	4,42	5,05	5,32
Pillar 5	3,18	3,65	3,80
Pillar 6	3,20	3,83	4,06
Pillar 7	3,63	4,11	4,27

Source: own work.

Figure 47: Other demographic statistics based on income range



Source: own work.

4.2 Qualitative Research

4.2.1 Focus Group Findings

Our target was to get people's perception about the potential impacts of free trade agreements between developed countries and developing countries, on the following subjects:

- Competitiveness of the developing country.
- Trade of the developing country.
- Employment of the developing country.
- Technological sphere of the developing country.
- Equality of the developing country.
- Social and environmental sphere of the developing country.
- Investment climate of the developing country.

In total one focus group was held on June 22nd 2017, at 7 pm. The group met in Ljubljana and comprised of 6 participants. In order to be aligned with the investigation, 3 participants were selected from developing countries (Paraguay, Morocco and Russia) and 3 from developed countries (France, United Kingdom and Spain). All of them were somehow involved in the economics and international relations sphere. Our discussion was built around 7 questions (see Appendix 25), strictly related to Hypothesis, introducing first general comments, and giving right after a set of options, where the participants were encouraged to discuss and offer their points of view. The discussion lasted approximately two hours. The findings of the discussion are provided below by pillar.

Pillar 1: Competitiveness. All participants have shown a positive opinion, and agree about the positive impact on the Competitiveness on the developing country.

Participants from developing countries emphasized:

- Although the developing country will growth, it is difficult to measure the percentage of the GDP Growth strictly related to the FTA.
- The national industries, especially those which are intensive in raw material (minerals, fruits), will be the ones which will improve the performance, since they are the ones that developed countries are looking for benefits. There could be negative consequences: like selling for really cheap.
- The market of these goods will be more efficient, but just on the exports orientation.
- There are going to be specific policies put in place, in order to create systems, at the institutional level, and education, but it will not have a significant overall impact.

Participants from Developed Countries, agree:

- The GDP will grow, even if it is a small percentage, it is good for the developing countries.
- Being more transparent will help to position the country worldwide.

- Since the agreements usually create committees, and other bodies, the institutions of the developing country will show improvements.
- The national industry, mainly raw materials, are the target, and therefore they will be promoted.
- There will be an investments flow, thus infrastructure will directly benefit from it.

Pillar 2: Trade. All participants have shown a positive opinion, and agree about the positive impact on the Trade of the developing country.

All participants agree:

- The exports of the developing country will be the ones which will grow the most.
- Mainly it will improve importing raw material.
- The growth in imports will not be significant.
- The administrative barriers will be reduced, as it is set in the FTA.

Pillar 3: Employment. All participants have shown a positive opinion and agree about the positive impact on the Employment of the developing country.

Participants from developing countries agree:

- There is going to be a positive contribution on the Employment rate through job creation.
- Most of them will be directly related to the primary industry, and therefore, most likely to increase temporary and season jobs.
- There will not be any impact on the rules and general environment of the labour market, since this is something punctual, and will affect just a few sectors.

Participants from developed countries:

- Agree that it will have a positive contribution on the employment rate, due to job creation.
- There is going to be a positive impact, creating skilled and non-skilled jobs.
- There is going to be investment in training and education, as well as, coordination of rules and good practices on the market, transferring the good practices.

Pillar 4: Technological impacts. All participants have shown a positive opinion, and agree about the positive impact on the Technological Sphere of the developing country.

Participants from developing countries agree:

- There may be the introduction of new technology and improvement of the process, which will have an impact on the productivity and quality.
- There may be relevant impact on the innovation, but will not be enough to improve in overall terms.
- The way of doing business will remain as it is.

Participants from developed countries agree:

- This is the main factor of the FTA, and what the developing country can benefit from.
- There will be a technological positive impact, along with new investments, that may improve the productive process, and thus the quality and productivity.
- It will bring innovation, know-how and new way of doing things.
- It all depends on how capable is the developing country to absorb the benefits.

Pillar 5: Equality. All participants have shown a negative opinion, and agree that the impact will be either negative or null on Equality in the developing country.

Participants from developing countries agree:

- There will be no impact on the welfare of the country, neither on the real income. Most of the jobs will direct to those sector with low payment, and investing will focus on reducing cost decision.
- The inequality across the society main remain at the same level.
- The human development will not be affected.

Participants from developed countries agree:

- There might be a small or null impact on the welfare. The real income will not be affected directly.
- There will be more jobs, but it all depends on the macroeconomic context, where the FTA will not have affect.
- The human development will not be attacked by the FTA. The inequalities across the society will remain the same, maybe those who directly work from there will be benefited.

Pillar 6: Social and Environmental impacts. Participants have not agreed about this topic, showing opposite opinions. While participants from developing countries agree on null or negative impacts, participants from developed countries agree that there will be a positive impact.

Participants from developing countries agree:

- The social development will not be affected. It is merely economic, and for some sectors and families that are involved.
- The environmental effect will be negative, since most of the investments will be taking advantage of the country on raw material area.
- The quality of the community will not be changed, people will move to work in an industrial area, for example. Life satisfaction will not be affected, and working on reducing costs, will directly affect the set of mind, of being exploited.

Participants from developed countries agree:

- It will have a social impact, giving the possibility to some parts of the countries to be more developed.
- There will be a neutral or even positive environmental impact, due to new policies.
- There will be a positive impact on the community level, creating jobs and expanding opportunities. Life satisfaction impact will be uncertain.

Pillar 7: Investment. Participants have not agreed about this topic, showing opposite opinions. While participants from developing countries agree on a null impact, participants from developed countries agree that there will be a positive impact.

Participants from developing countries agree:

- The investment climate will not change. It will be a positive record, for the future. It will attract more people but the investment rules and investment climate will not change rapidly.
- The corruption level will remain the same. There is nothing that a FTA can do, it depends on the people.
- The market development will not have a straight effect, all takes time and depends more from the government level.

Participants from developed countries agree:

- It will have a direct and positive impact. It will attract first new investors from the country involved in the FTA.
- The corruption level will reduce, although not significantly, due to transparency and new policies.
- The financial market development level will remain the same, but will be a starting point to improve it.

4.2.2 In-depth Interviews Findings

Our target was to get people's perception about the potential impacts of Free Trade Agreements between developed countries and developing countries, on the:

- Competitiveness of the developing country.
- Trade of the developing country.
- Employment of the developing country.
- Technological Sphere of the developing country.
- Equality of the developing country.
- Social and Environmental Sphere of the developing country.
- Investment Climate of the developing country.

In total two in-depth interviews were held, the first one on July 21st 2017, at 7 pm, through Skype call and the second one held on September 1st 2017, at 8 pm, in Trieste, Italy. All of them were somehow involved in the economics and international relations sphere. The first interview was done with Maryna Khorunzha, from Ukraine, Master of Public Administration Candidate of the London School of Economics and Political Science (LSE), while the second one was done with Enrico Trevisiol, from Italy, Manager of Banca Etica. Our discussion was built around 7 questions (see Appendix 25), strictly related to Hypothesis, introducing first general comments, and giving right after a set of options, where the participants were encouraged to discuss and offer their points of view.

The discussion lasted approximately 40 minutes. The findings of the discussion are provided below.

Pillar 1: Competitiveness. Respondent from developing country emphasized:

- While we would assume that a developing country signing an FTA with a developed state would see certain economic progress, it is hard to say whether we would be observing a correlation or a truly causal relationship. For instance, such causal interpretation of signing an FTA on developing state's competitiveness may suffer from sufficient omitted variable bias and reverse causality: for instance, in order to sign an FTA a developing country should have already reached a certain level of development (strong institutions, well-functioning infrastructure, and thus a certain – higher – level of competitiveness).
- There would be an improvement on the economic growth, on the performance of the national industry and on the goods and services market efficiency of the developing country.

Respondent from developed countries emphasized:

- The GDP will grow, even if it is a small percentage it is good for the developing countries.
- There will be a positive impact on goods and services market efficiency of the developing countries, due to the impact on production for exports, also new imports, and besides everything a new model to trade.

Pillar 2: Trade. Both respondents (from developing and developed countries) emphasized:

- There will be more trade, since this is the main point of the FTA.
- Usually it is for importing raw materials on the part of the developing country.
- The administrative barriers will be reduced, as it is set on the FTA.

Pillar 3: Employment. Both respondents (from developing and developed countries) emphasized:

- Regardless of the size, there will be an increase in the employment rate, generated through the production chains, in the case of agricultural activities, but also from all the administrative and finance, if the case is establishing a financial hub or sort of it.
- There will be a small impact, if not zero, on the rules and general environment of the labour market, since there is nothing related to labour market change.
- Most likely what will happen is an internationalization of the national practices, work environment, safety and infrastructure, which definitely will be positive.

Pillar 4: Technological impacts. Both respondents (from developing and developed countries) emphasized:

- There would be a positive and join impact on the Technological and Innovation side, mostly applied to the production process, and the finance environment, in the case of financial hubs.
- There would be the starting point, or maybe it will make the country position stronger, in terms of way of doings business, attracting investors from all the globe.

Pillar 5: Equality. Respondent from developing country emphasized:

- The only positive effect that could happen would be an increase on the real income of the developing country, but this is something difficult to happen, since low salaries are actually an attraction for investors. To increase the real income more things need to happen.

- There will be no effect on the welfare, human development or inequalities across the society of the developing country.

Respondent from developed country emphasized:

- There will be a positive impact on the welfare of the developing country, creating more jobs, and boosting some areas and sector of the country that were not productive before, or new ways of doing things, trainings, and other projects, which somehow will impact on the inequalities across the society.
- It is not easy to predict whether there will be a positive impact on the Real Income level, since there are more variables involved.
- The Human Development will not be affected by the FTA in the short term.

Pillar 6: Social and Environmental impacts. Respondent from developing country emphasized:

- There will be an improvement in the community, due to the job creation, and increasing the jobs may end up with an impact on the life satisfaction.
- The impact on the environment is not really clear. If it is the case of mining, and oil, there would be a negative impact. But in case, the sector is not intensive on the environmental field, there should not be any negative effects.
- The social development will not be affected.

Respondent from developed country emphasized:

- There will be a positive impact on the environmental sphere, due to the use of new technologies and standards, protecting and maximizing the value of the resource.
- The social development, the life satisfaction and the quality of the community will be affected, in a positive way, due to the opening doors to the world, exchanging experiences, cultures, and creating opportunities.

Pillar 7: Investment. Respondent from developing country emphasized:

- There will not be any change in the investment climate. It all depends on the country and how the scenario for investing is. It could be the first step to start building an investment profile of the developing country.
- The corruption level, will be the same. It all depends on the culture and FTA will not affect this.
- The financial market development will not be affected. It is about production and services sector, and the financial market is not the target usually.

Respondent from developed country emphasized:

- It will have a direct and positive impact on the investment climate, attracting new investors from the country involved in the FTA, and consolidating the investing position.
- The corruption level will remain the same, but some efforts and standards would be implemented to avoid negative consequences from it.
- The financial market development will remain the same since FTA is about trade and other direct consequences.

CONCLUSION

Theoretical motivations to pursue free trade overshadow arguments against it. Although it is often hard to establish direct cause-effect relationship between a specific free trade agreement and changes in that country's economy, we were able to draw conclusions by analysing the empirical data relating to the FTA in combination with country's capabilities to make use of free trade possibilities. Having looked at the case of EU-Chile FTA, where there are two economically unequal partners, we studied the impacts of the FTA, as well as the perspective of the people about free trade with qualitative and quantitative research. The comparative conclusion includes all three aspects – scientific or theoretical expectations, actual empirical evidence, the opinion of the people – and addresses all seven pillars: competitiveness, trade impact, employment, technological impact, equality, social and environmental impact and investment climate.

Competitiveness. One could argue that competitiveness is the core aspect of a country's economy. This is due to the fact that this concept is very broad and includes all the institutions, policies and factors that determine how the economy operates, and scientific evidence tells us that free trade is the crucial factor in improving competitiveness and achieving economic growth.

While people from developed and developing countries were positive about FTAs improving economic growth of the developed country and not diminishing its industry, the two groups had opposite opinions on other issues. Namely, people from developed countries are more inclined to consider FTAs beneficial for developing countries' infrastructure and the goods and services market efficiency. Respondents from developing countries disagree and reacted negatively to both statements. Unlike people from developed countries, they also do not perceive free trade agreements to have a positive footprint neither on political and macroeconomic stability of the developing country, nor on its institutions.

During the focus groups and in-depth interviews both, respondents from developed and developing countries, agreed on the main issue – that they expect an improvement in economic growth and in performance of the developing country's industry. However, both groups of respondents noted that it might be difficult to point out the casual relationship between the FTA and improved competitiveness, and that the effect might not be so obvious. This resonates with the empirical evidence recorded by the European Commission, where it was noted that the EU-Chile FTA represented only a small gain for Chile's economy as its GDP increased by 0.05% following FTA's implementation.

Trade. Free trade mechanisms promote trade creation and increase welfare. In theory FTAs lead to increased exports, which in turn stimulates production. At the same time free trade brings lower import prices and stimulates consumption. Nevertheless, poorer economies are expected to have more difficulties capturing trade benefits, and only countries that can maintain stable exchange rates can achieve rapid growth in both imports and exports. The question of the exchange rates proved to be divisive between our survey respondents from developed and developing countries. People from developed countries are more positive in their expectations and stated that implementing a free trade agreement will not have a detrimental effect on the developing country due to the exchange rate. People from developing countries, on the other hand, think problems with exchange rates could occur due to opening up the market to foreign competition.

The respondents were in agreement on all other aspects related to trade and showed positive expectations regarding taking down administrative barriers, increasing both imports and exports. In particular, during focus groups and in-depth interviews people mentioned they expect the developing country increasing its exports of agricultural and raw materials. In fact, this is exactly what was reported after Chile and EU implemented the deal. The FTA led to a steady trade growth in both directions with a widening surplus for the EU. The biggest beneficiaries on the Chilean side proved to be fruit growers (22% increase in output), wine makers (34% increase in output) and seafood producers (17% increase in output). Gains in other sectors remained limited.

Employment. The connection between employment and free trade gets us back to the idea that opening up economies in this way or another increases production, and increased production means more jobs. Additional competition, which comes with free trade, lowers prices and increases consumption – another factor that leads to job creation. Moreover, free trade offers benefits of international division of labour, which adds to the efficiency of labour markets. Our two groups of survey respondents had different opinions about this issue. People from developed countries yet again were more positive and demonstrated a belief that FTAs increase the efficiency of labour markets in developing countries. Their counterparts from developing countries did not agree with this statement.

During in-depth interviews and focus group discussions people from developed and developing countries voiced the same ideas, namely that there will be an increase in the employment generated through production chains, and not only due to the agricultural sector, but also due to an increasing number of administrative and finance jobs. The impact on employment regulations and general labour environment is not expected to change, but both groups agreed that internationalization of the local practices may lead to positive changes in the longer term.

What happens in reality is difficult to ascertain because there are numerous other determinants influencing employment. Nevertheless, it was established that in the fruit, wine, aquaculture and mollusc sectors, the EU-Chile FTA has led to higher income, with visible positive consequences. Although the effects are rather limited, low-skilled workers benefited from the EU-Chile FTA (+0.3% wage increase), mainly as a result of their intensive use in agricultural sectors where output expanded. What is interesting, such an effect was specifically mentioned by both groups of respondents during in-depth interview and focus groups, namely that the FTA employment benefits will be concentrated in the country's agricultural or other primary industry, and in the pool of temporary or season jobs.

Technology. In theory, free trade should bring innovation by opening up possibilities for international cooperation and by increasing competition. In turn, innovative technologies upgrade the economy and make it more efficient – due to the spill over effect more businesses adopt innovative practices and improve production. In the case of the EU-Chile FTA it was difficult to quantify the direct technological impact on productivity, however it was noted that the FTA did spur more business activity in the export sectors. It induced the flow of direct investment, resulting in technology transfers, especially in the water distribution and management sectors. Trade liberalization along with the positive changes in technology have reduced the pollution intensity. It also enhanced corporate responsibility and promoted higher standards, which is an improvement in production practices that eases access to a wider range of foreign markets.

Based on our quantitative research, we found out that people from developing countries do perceive FTA as a tool that will have a positive impact on the spread of technology and innovation, and on the way of doing business. People from developed countries additionally perceive FTA as a tool that will boost productivity and improve quality of products in the developing country.

As for the qualitative research, in the in-depth interviews respondents agreed on the positive impact of free trade on technology and innovation, on the products and services markets, and also on the investment climate. During the focus group discussions representatives of developing countries were a bit more sceptical, but in general both

groups recognized the potential technological impact that would lead to better production practices. Respondents also see FTA as a great starting point for bringing innovation and improving ways of doing business in a developing country. People from developed countries mentioned that technology transfer is one of the main aspects of free trade for developing countries to benefit from. Its positive impact along with new investments will improve the production process, and thus the quality and productivity.

Equality. Based on our quantitative research, people from developing countries are pessimistic rather than optimistic: FTA is perceived as a tool that will not increase neither welfare, nor real income, nor human development, just as it will not reduce inequalities across the society. On the other hand, people from developed countries perceive FTAs to increase welfare and real income. Focus group participants agreed about the null impact on equality: welfare, inequalities across the society and human development will not be affected. Similar opinions were expressed during in-depth interviews. Some positive impacts were mentioned by a respondent from a developed country – inequalities across the society can be reduced and welfare may be improved due to the creation of new jobs, better production efficiency, training and innovation.

From the scientific standpoint, free trade promotes reduction of poverty and increased real income. At the same time standards of living improve in particular because free trade brings more choices for consumers. But free trade can cause negative effects as well: equality is affected by larger differences between prices in the free trade area vs. the rest of the world, dependency on global markets could cause economic instability, unless FTAs clearly define product standards, and opening up the trade borders could lead to poor foreign products flooding the market. It is also often mentioned that multinational corporations attempt to advantage themselves at the expense of the society, making use of poor regulations and standards, and this is also an effect of free trade.

The equality pillar is a tough one when trying to quantify the actual effects of the EU-Chile FTA. The social impact would remain limited: estimated changes in incomes and factor prices remain small in magnitude. However, we can witness that tariff cuts in the EU-Chile FTA generated 0.23% of gains to Chilean economy (increase in welfare measured through the equivalent variation of income). Moreover, as mentioned earlier, the FTA brought some benefits to small and medium farming businesses, which improved economic development in rural areas. These factors show that if any, the actual impact on equality should be positive.

Society and environment. This is probably the pillar with the most polarized opinions. Based on our quantitative research, people from developing countries perceive the FTA as a non-effective tool in this sphere, which is just the opposite of the perception that people from developed countries have: they perceive the FTA as having a positive impact

on the social development and environment. According to them, it also improves the quality of the community and has a positive impact on life satisfaction in the developing country.

Our qualitative findings are somewhat aligned with the survey results. Based on the focus group discussions, FTAs are seen merely as economic tools with no social effect at all – the environment will be damaged (exploration, cost reduction, raw materials depletion), the quality of the community will not be changed (or could even be damaged with people moving to industrial areas and working for less). On the other hand, people from developed countries have a completely opposite and positive perception of FTAs: it will have a good social impact through developing more areas of the country, environmental rules will be enhanced, while creation of jobs and opportunities will have a positive impact at the community level. Based on the in-depth interviews, people from developed countries believe that the use of new technologies and standards, as well as protection of resources will lead to a positive impact on the environment. Opening doors to the world together with knowledge exchange will improve the community quality, social development and the life satisfaction. On the other hand, people from developing countries are a bit cautious in expectations and believe that there will be no impact on social development, the effects on environment are not clear, but there will be an improvement for the community and an increase in life satisfaction due to job creation.

Scientific insights tell us that FTAs contribute to a higher standard of living, promote peace, spur economic growth, increase the number of better-paying jobs and ultimately improve the level of prosperity. At the same time, FTAs could lead to political instability, unequal social development, cultural globalization and diversification, environmental cost of production and increased danger of resources depletion. Although it is hard to establish specific impacts the EU-Chile FTA has on social development and life satisfaction, we can point out that FTA has induced growth in the wine, fruit and seafood sectors, which account for a small share of greenhouse gas emissions, hence causing little additional environmental damage. The alcoholic beverage sector, which plays a significant role in the emission of volatile organic compounds, a source of global warming, has benefited from the FTA. Nevertheless, the EU has played a significant role in improving water quality and reducing waste. Although growth in agricultural production led to an increase in use of fertilizers, the use of pesticides in Chile has been limited and in the long term will decrease due to the introduction of EU standards on pesticides residues, as part of the FTA.

Investment. Scientific insights tell us that investment attractiveness of a developing country rises through an improvement of investment climate, making businesses more competitive, creating market stability by safeguarding property rights and introducing free market policies.

What did the EU-Chile FTA achieve in this respect? While it is not easy to measure significant changes at the investment level, since it is all about business opportunities and economic dynamics rather than a specific FTA, we still can confirm the consolidation of pre-FTA conditions. This is the origin of the benefits obtained by Chile, where EU is the most important source of foreign investment, mainly in the service sector. The FTA gave a boost to Chile's economic relations, due to the articulation of investment-related bilateral provisions and due to the pre-existing favourable institutional structure.

Proper investment climate is also achieved with reduction of corruption and by strengthening the rule of law, and people do not really see how free trade agreements help in this respect. Respondents, either from developing or developed countries, do not perceive FTA as a tool for reducing the corruption level. Both agree that the investment climate will be improved in general, while just people from developed countries perceive that FTA will boost financial market development.

Focus group discussions and in-depth interviews show that investment is a contentious issue and opinions differ: people from developing countries do not foresee any drastic and positive change in investment, corruption or financial market development, while people from developed countries foresee a direct and positive impact on investment by putting the country in the eye of the storm, a reduction in the corruption level due to transparency and new rules and that FTA is a helpful tool for developing financial markets.

To sum up, the big question about who is the actual winner of free trade cannot have a clear answer, however we can conclude that this is not a zero-sum game and that free trade can lead to both parties gaining as shown by EU-Chile example. In our particular case it is hard to argue with the fact that the EU-Chile FTA achieved its major goal – increasing trade between the two actors. This increase in trade led to more positive changes in both economies, rather than negative, even if at times such positive changes were not huge, – an increase in GDP, progressive developments in Chile's agricultural sector, increase in EU's export of services, positive dynamics in Chile's employment market, mutual improvement in access to information and technology, upgraded product standards. The reality of free trade agreements like the one between EU and Chile is that such deals do not bring drastic changes to the structure of a country's economy, which means that while positive effects may not be extensive, negative consequences, if any, will remain limited as well.

Our research of the how people perceive free trade confirmed some things that were expected – the impacts of free trade are considered to be more positive by younger generations, those who have a higher level of education, those who come from countries with a higher level of economic development, and who themselves have higher incomes.

What is interesting, based on type of employment, people with the most faith in free trade are those working in non-profit organizations. In general our findings show that people from developing countries are more sceptical about the effects of free trade. This scepticism is particularly evident if the question relates to complex issues like political and macroeconomic stability, labour market efficiency, social inequalities reduction, social and environmental development, corruption and financial market development. At the same time when talking about other aspects, those that are less abstract and closer to the direct objectives of FTAs, people from developing countries are optimistic, yet not to the same extent as those from the developed ones. Positive changes are expected in core elements – economic growth, national industry performance, trade and administrative barriers, technology, innovation, way of doing business and investment climate.

When putting the three layers of our findings – scientific expectations, actual impacts of our showcase FTA and the perception of the people – against each pillar, we can see the general alignment in competitiveness, trade impact and technology, where people’s generally positive perception of the effects of free trade coincide with the views of the economists and the empirical evidence of the FTA. Alignment is also present in the social and environmental impact, however here it is negative – the results recorded after the FTA’s implementation showed mixed positive and negative developments, just as people expected. Expectations of people about the impact on employment, equality, and investment were not very high, just like the actual consequences in case of EU-Chile FTA, and correspond to the limitations of free trade benefits pointed out in scientific research.

These last few points bring us to the issue of unfulfilled tasks of free trade. Are FTAs really accelerating development and expanding the potential of economically weaker countries? While they work in this direction with improving competitiveness, trade relations and technological advancement, as concluded previously, they fail to produce meaningful results in promoting equality and especially providing benefits to the social and natural environment, and this breeds the largest share of scepticism about free trade among regular people.

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APPENDIXES

Appendix 1: Povzetek (Executive summary in Slovenian language)

Pospešena globalizacija in povečanje števila prostotrgovinskih sporazumov sta izpostavili vprašanje o dejanskih vplivih odpiranja lokalnih trgov tujim podjetjem. Zlasti zaradi nedavne naraščajoče protiglobalizacijske retorike se je v krogih ekonomistov in politologov pojavilo vprašanje, kdo ima resnično koristi od proste trgovine. Vprašanje postane še posebej občutljivo, če prostotrgovinske sporazume sklenejo ekonomsko neenakopravni partnerji.

Magistrsko delo vsebuje obsežno analizo prostotrgovinskega sporazuma med ekonomsko neenakimi partnerji – Evropsko unijo in Čilom. Povzeti so pozitivni in negativni vidiki proste trgovine iz ekonomske teorije, analizirani empirični dokazi o učinkih prostotrgovinskih sporazumov med Evropsko unijo in Čilom ter predstavitev dojemanja ljudi o učinkih proste trgovine. Poudarek je na raziskovanju in prikazovanju učinka proste trgovine v manj razvitih državah in v končni fazi predstavitev primerjave med znanstvenimi učinki proste trgovine, dejanskimi makroekonomskimi učinki prostotrgovinskega sporazuma med Evropsko unijo in Čilom ter zaznavanje ljudi o učinkih prostotrgovinskih sporazumov na splošno.

Analizo prostotrgovinskega sporazuma in mnenje o prosti trgovini sva pripravila okoli sedmih stebrov: konkurenčnost, vpliv na trgovino, zaposlovanje, tehnološki vpliv, enakost, socialni in okoljski vpliv ter naložbeno ozračje. Najina raziskava je pokazala, da je prostotrgovinski sporazum koristil tako EU kot Čilu. V raziskavi nisva našla nobenih dokazov, da je ena stranka izkoriščala drugo stranko.. Prostotrgovinski sporazum je ustvaril pozitivne, vendar omejene učinke na konkurenčnost. Rast BDP v Čilu je bila komaj opazna . Čile je povečal izvoz v Evropsko unijo za 21%. Tudi glede zaposlovanja so bili učinki omejeni. Trgovinski sporazum je nekoliko povečal plač za zaposlene, ki delajo v čilskem kmetijstvu. Sporazum je izboljšal dostop do novih tehnologij in povzročil pretok neposrednih naložb, kar je povzročilo prenos tehnologije, zlasti v sektorju distribucije vode in upravljanja. Učinek prostotrgovinskega sporazuma na okolje ni bil enoznačen. Na eni strani je Čilu povzročil okoljsko škodo zaradi vse večje uporabe vode in gnojil, na drugi standardi pa so standardi Evropske unije postavili strožje omejitve pri uporabi pesticidov. Prostotrgovinski sporazum med EU in Čilom tudi ni vodil v večjo enakost v Čilu. Manjše kmetije imajo sedaj manj možnosti za nove priložnosti, medtem ko lahko velike kmetije v Čilu v večji meri izkoriščajo priložnosti, ki jim jih omogoča trgovinski sporazum. Sporazum je prinesel več poslov in priložnosti podeželju. Na splošno sva ugotovila, da je prostotrgovinski sporazum med EU in Čilom povzročil več pozitivnih kot negativnih sprememb v obeh gospodarstvih.

Z namenom, da bi ugotovila kakšne so razlike v dojemanji in zaznavanju prostotrgovinskih sporazumov med prebivalci razvitih držav in držav v razvoju sva

izvedla tudi razgovore, fokusne skupine in anketo z 403 Rezultati na splošno kažejo, da so posamezniki iz držav v razvoju bolj skeptični glede učinkov proste trgovine. Ta skepticizem je še posebej očiten, če se je vprašanje nanašalo na zapletene teme, kot so politična in makroekonomska stabilnost, učinkovitost trga dela, zmanjševanje socialnih neenakosti, socialni in okoljski razvoj, korupcija in razvoj finančnega trga. Pri drugih, manj abstraktnih temah oziroma temah, ki so bližje neposrednim ciljem prostotrgovinskih sporazumov (gospodarska rast, uspešnost nacionalne industrije, trgovinske in administrativne ovire, tehnologija, inovacije, način poslovanja in naložbeno okolje), so posamezniki iz držav v razvoju optimistični, vendar je njihov optimizem šibkejši kot pri posameznikih iz razvitih držav.

Primerjava med znanstvenimi pričakovanji prostotrgovinskih sporazumov, dejanskimi učinki prostotrgovinskega sporazuma med EU in Čilom in zaznavanjem ljudi glede prostotrgovinskih sporazumov je pokazala, da v okviru konkurenčnosti, vplivu na trgovino in tehnologiji, splošno pozitivno dojemaje ljudi o učinkih proste trgovine sovпада s stališči ekonomistov in empiričnimi dokazi prostotrgovinskega sporazuma. Primerjava vplivov prostotrgovinskih sporazumov na okolje med tremi različnimi sklopi pa ni enoznačna. Dejanski rezultati sporazuma med EU in Čilom so pokazali pozitiven in negativen vpliv na okolje razvoj in so v skladu s pričakovanjem ljudi. Pričakovanja ljudi o vplivu na zaposlovanje, enakopravnost in naložbe niso bila zelo velika in so skladna z dejanskimi rezultati prostotrgovinskega sporazuma med Evropsko unijo in Čilom. Slednji rezultati so skladni z znanstvenimi pričakovanji o vplivu prostotrgovinskih sporazumov na zaposlovanje, enakopravnost in naložbe

Ali prostotrgovinski sporazumi resnično pospešujejo razvoj in širijo potencial gospodarsko šibkejših držav? Najini rezultati kažejo, da prostotrgovinski sporazumi izboljšujejo konkurenčnosti, trgovinske odnose in vodijo v tehnološki napredek v gospodarsko šibkejših državah. Prostotrgovinski sporazumi pa ne spodbujajo enakost in zlasti ne zagotavljanju koristi za družbeno in naravno okolje v državah v razvoju, kar povzroča največji delež skepticizma o prosti trgovini med navadnimi ljudmi.

Appendix 2: Free Trade Agreements Impacts - Master Thesis Survey

In our Master Thesis we try to present the comparison between the actual macroeconomic effect of free trade on rich and poor countries and the perception people have about the effects of free trade. The information collected through this Survey will help us to get the perception of the people towards FREE TRADE AGREEMENTS (FTA). Please mark the circle that best describes your response to the provided statements. It will take you approximately 12 minutes of your time.

Q1

	Entirely Disagree	Mostly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Mostly Agree	Entirely Agree
FTA between developed countries and developing countries will improve the economic growth of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will NOT diminish the performance of the National Industry (core sector) of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will have a positive impact on infrastructure of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q2

	Entirely Disagree	Mostly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Mostly Agree	Entirely Agree
FTA between developed countries and developing countries will have a positive impact on the stability of the macroeconomic environment of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will boost the trade of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will diminish the administrative barriers, and help a developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q3

	Entirely Disagree	Mostly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Mostly Agree	Entirely Agree
FTA between developed countries and developing countries will boost the employment rate of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will increase the efficiency of the labor market of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will boost the productivity of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q4

	Entirely Disagree	Mostly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Mostly Agree	Entirely Agree
FTA between developed countries and developing countries will have a positive technological impact on the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will bring innovation to the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will have increase the welfare of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q5

	Entirely Disagree	Mostly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Mostly Agree	Entirely Agree
FTA between developed countries and developing countries will reduce the inequalities across the society of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will have a positive impact on the social development of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will have a positive environmental impact on the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q6

	Entirely Disagree	Mostly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Mostly Agree	Entirely Agree
FTA between developed countries and developing countries will improve the investment climate of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will reduce the corruption level of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q7

	Entirely Disagree	Mostly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Mostly Agree	Entirely Agree
FTA between developed countries and developing countries will have a positive impact on the Political Stability of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will have a positive impact on institutions level of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will have a positive impact on the education and training system of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q8

	Entirely Disagree	Mostly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Mostly Agree	Entirely Agree
FTA between developed countries and developing countries will boost the exports of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will make increase the imports of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will NOT have a negative effect on a developing country due to the exchange rate.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q9

	Entirely Disagree	Mostly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Mostly Agree	Entirely Agree
FTA between developed countries and developing countries will have a positive impact on the production quality of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will have a positive impact on the way of doing business of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will increase the efficiency of the goods and services market of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q10

	Entirely Disagree	Mostly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Mostly Agree	Entirely Agree
FTA between developed countries and developing countries will increase the real income of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will improve the human development of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q11

	Entirely Disagree	Mostly Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Mostly Agree	Entirely Agree
FTA between developed countries and developing countries will improve the quality of the community of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will have a positive impact on the life satisfaction of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FTA between developed countries and developing countries will boost the financial market development of the developing country.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q12 - Please write down your NATIONALITY:

--

Q13 - What is your ETHNICITY?

- White / Caucasian.
- Hispanic / Latino.
- Black / African American.
- Asian / Pacific Islander.
- Other.

Q14 - Where is your PLACE OF RESIDENCE?

- Urban Area: Capital of the Country.
- Urban Area: Other.
- Rural Area.

Q15 - What is your AGE?

- Less than 18 years.
- 18 – 25 years.
- 26 – 34 years.
- 35 – 44 years.
- 45 – 54 years.
- 55 and over.

Q16 - Gender:

- Male.
- Female.

Q17 - What is your level of EDUCATION?

- No schooling completed.
- Primary School.
- High school, no diploma.
- High school graduate, diploma or the equivalent.
- Some college credit, no degree.
- Trade/technical/vocational training.
- Bachelor's degree.
- Master's degree.
- Professional degree.
- Doctorate degree.

Q18 - What is your HOUSEHOLD COMPOSITION?

- Single, never married.

- Married or domestic partnership.
- Widowed.
- Divorced.
- Separated.

Q19 - What is your PROFESSIONAL AND EMPLOYMENT STATUS?

- Employed for wages.
- Self-employed.
- A homemaker.
- A student.
- Retired.
- Out of work and looking for work.
- Out of work but not currently looking for work.
- Unable to work.

Q20 - What is your EMPLOYER TYPE?

- Employee of the for-profit company or business or of then individual, for wages, salary, or commissions.
- Employee of the not-for-profit, tax-exempt, or charitable organization.
- Local government employee (city, county, etc.).
- State government employee.
- Federal government employee.
- Self-employed in own not-incorporated business, professional practice, or farm.
- Self-employed in own incorporated business, professional practice, or farm.
- Working without pay in family business or farm.

Q21 - How do you perceive your INCOME RANGE?

- Low.
- Medium-low.
- Medium.
- Medium-high.
- High.

Appendix 3: SPSS Output. Competitiveness. Combined (Developed and Developing Countries) sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will improve the economic growth of the developing country.	403	4,97	1,518	,076
: FTA between developed countries and developing countries will have a positive impact on the Political Stability of the developing country.	403	3,59	1,481	,074
: FTA between developed countries and developing countries will NOT diminish the performance of the National Industry (core sector) of the developing country.	403	4,93	1,590	,079
: FTA between developed countries and developing countries will have a positive impact on institutions level of the developing country.	403	3,94	1,477	,074
: FTA between developed countries and developing countries will have a positive impact on infrastructure of the developing country.	403	4,68	1,533	,076
: FTA between developed countries and developing countries will have a positive impact on the stability of the macroeconomic environment of the developing country.	403	4,23	1,531	,076

(table continues)

(continued)

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will have a positive impact on the education and training system of the developing country.	403	4,63	1,496	,075
: FTA between developed countries and developing countries will increase the efficiency of the goods and services market of the developing country.	403	4,64	1,525	,076

One-Sample Test

	Test Value = 4					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will improve the economic growth of the developing country.	12,796	402	,000	,968	,82	1,12
: FTA between developed countries and developing countries will have a positive impact on the Political Stability of the developing country.	-5,584	402	,000	-,412	-,56	-,27

(table continues)

(continued)

One-Sample Test

	Test Value = 4					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will NOT diminish the performance of the National Industry (core sector) of the developing country.	11,750	402	,000	,931	,77	1,09
: FTA between developed countries and developing countries will have a positive impact on institutions level of the developing country.	-,843	402	,400	-,062	-,21	,08
: FTA between developed countries and developing countries will have a positive impact on infrastructure of the developing country.	8,933	402	,000	,682	,53	,83

(table continues)

(continued)

One-Sample Test

	Test Value = 4					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will have a positive impact on the stability of the macroeconomic environment of the developing country.	3,059	402	,002	,233	,08	,38
: FTA between developed countries and developing countries will have a positive impact on the education and training system of the developing country.	8,422	402	,000	,628	,48	,77
: FTA between developed countries and developing countries will increase the efficiency of the goods and services market of the developing country.	8,394	402	,000	,638	,49	,79

Appendix 4: SPSS Output. Trade. Combined (Developed and Developing Countries) sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will boost the trade of the developing country	403	5,57	1,386	,069
: FTA between developed countries and developing countries will boost the exports of the developing country.	403	5,58	1,402	,070
: FTA between developed countries and developing countries will make increase the imports of the developing country.	403	5,47	1,413	,070
: FTA between developed countries and developing countries will diminish the administrative barriers, and help a developing country.	403	5,37	1,521	,076
: FTA between developed countries and developing countries will NOT have a negative effect on a developing country due to the exchange rate.	403	4,34	1,418	,071

One-Sample Test

	Test Value = 4					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will boost the trade of the developing country	22,781	402	,000	1,573	1,44	1,71
: FTA between developed countries and developing countries will boost the exports of the developing country.	22,558	402	,000	1,576	1,44	1,71
: FTA between developed countries and developing countries will make increase the imports of the developing country.	20,839	402	,000	1,467	1,33	1,60
: FTA between developed countries and developing countries will diminish the administrative barriers, and help a developing country.	18,140	402	,000	1,375	1,23	1,52

(table continues)

(continued)

One-Sample Test

	Test Value = 4					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will NOT have a negative effect on a developing country due to the exchange rate.	4,847	402	,000	,342	,20	,48

Appendix 5: SPSS Output. Employment. Combined (Developed and Developing Countries) sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will boost the employment rate of the developing country.	403	4,58	1,474	,073
: FTA between developed countries and developing countries will increase the efficiency of the labor market of the developing country.	403	4,30	1,546	,077

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will boost the employment rate of the developing country.	7,939	402	,000	,583	,44	,73
: FTA between developed countries and developing countries will increase the efficiency of the labor market of the developing country.	3,868	402	,000	,298	,15	,45

Appendix 6: SPSS Output. Technological impacts. Combined (Developed and Developing Countries) sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will boost the productivity of the developing country.	403	4,61	1,537	,077
: FTA between developed countries and developing countries will have a positive technological impact on the developing country.	403	5,26	1,414	,070
: FTA between developed countries and developing countries will have a positive impact on the production quality of the developing country.	403	4,67	1,388	,069
: FTA between developed countries and developing countries will have a positive impact on the way of doing business of the developing country.	403	5,19	1,626	,081
: FTA between developed countries and developing countries will bring innovation to the developing country.	403	5,30	1,425	,071

One-Sample Test

	Test Value = 4					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will boost the productivity of the developing country.	7,939	402	,000	,608	,46	,76
: FTA between developed countries and developing countries will have a positive technological impact on the developing country.	17,898	402	,000	1,261	1,12	1,40
: FTA between developed countries and developing countries will have a positive impact on the production quality of the developing country.	9,724	402	,000	,672	,54	,81
: FTA between developed countries and developing countries will have a positive impact on the way of doing business of the developing country.	14,735	402	,000	1,194	1,03	1,35
: FTA between developed countries and developing countries will bring innovation to the developing country.	18,313	402	,000	1,300	1,16	1,44

Appendix 7: SPSS Output. Equality. Combined (Developed and Developing Countries) sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will increase the welfare of the developing country.	403	3,92	1,694	,084
: FTA between developed countries and developing countries will increase the real income of the developing country.	403	3,79	1,568	,078
: FTA between developed countries and developing countries will improve the human development of the developing country.	403	3,39	1,640	,082
: FTA between developed countries and developing countries will reduce the inequalities across the society of the developing country.	403	3,30	1,609	,080

One-Sample Test

	Test Value = 4					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will increase the welfare of the developing country.	-1,000	402	,318	-,084	-,25	,08
: FTA between developed countries and developing countries will increase the real income of the developing country.	-2,668	402	,008	-,208	-,36	-,05
: FTA between developed countries and developing countries will improve the human development of the developing country.	-7,501	402	,000	-,613	-,77	-,45
: FTA between developed countries and developing countries will reduce the inequalities across the society of the developing country.	-8,731	402	,000	-,700	-,86	-,54

Appendix 8: SPSS Output. Social and environmental impacts. Combined (Developed and Developing Countries) sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will have a positive impact on the social development of the developing country.	403	3,86	1,805	,090
: FTA between developed countries and developing countries will have a positive environmental impact on the developing country.	403	3,80	1,960	,098
: FTA between developed countries and developing countries will improve the quality of the community of the developing country.	403	3,80	1,672	,083
: FTA between developed countries and developing countries will have a positive impact on the life satisfaction of the developing country.	403	3,64	1,697	,085

One-Sample Test

	Test Value = 4					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will have a positive impact on the social development of the developing country.	-1,518	402	,130	-,136	-,31	,04
: FTA between developed countries and developing countries will have a positive environmental impact on the developing country.	-2,058	402	,040	-,201	-,39	-,01
: FTA between developed countries and developing countries will improve the quality of the community of the developing country.	-2,444	402	,015	-,203	-,37	-,04
: FTA between developed countries and developing countries will have a positive impact on the life satisfaction of the developing country.	-4,316	402	,000	-,365	-,53	-,20

Appendix 9: SPSS Output. Investment. Combined (Developed and Developing Countries) sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will improve the investment climate of the developing country.	403	4,91	1,520	,076
: FTA between developed countries and developing countries will reduce the corruption level of the developing country.	403	3,16	1,711	,085
: FTA between developed countries and developing countries will boost the financial market development of the developing country.	403	4,11	1,512	,075

One-Sample Test

	Test Value = 4					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will improve the investment climate of the developing country.	11,964	402	,000	,906	,76	1,05
: FTA between developed countries and developing countries will reduce the corruption level of the developing country.	-9,810	402	,000	-,836	-1,00	-,67
: FTA between developed countries and developing countries will boost the financial market development of the developing country.	1,449	402	,148	,109	-,04	,26

Appendix 10: SPSS Output. Competitiveness. Developed countries sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will improve the economic growth of the developing country.	201	5,48	,954	,067
: FTA between developed countries and developing countries will have a positive impact on the Political Stability of the developing country.	201	4,14	1,253	,088
: FTA between developed countries and developing countries will NOT diminish the performance of the National Industry (core sector) of the developing country.	201	5,53	1,183	,083
: FTA between developed countries and developing countries will have a positive impact on institutions level of the developing country.	201	4,49	1,184	,083
: FTA between developed countries and developing countries will have a positive impact on infrastructure of the developing country.	201	5,31	1,051	,074
: FTA between developed countries and developing countries will have a positive impact on the stability of the macroeconomic environment of the developing country.	201	4,92	1,161	,082

(table continues)

(continued)

One-Sample Statistics

: FTA between developed countries and developing countries will have a positive impact on the education and training system of the developing country.	201	5,33	,896	,063
: FTA between developed countries and developing countries will increase the efficiency of the goods and services market of the developing country.	201	5,18	1,076	,076

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will improve the economic growth of the developing country.	21,951	200	,000	1,478	1,34	1,61
: FTA between developed countries and developing countries will have a positive impact on the Political Stability of the developing country.	1,576	200	,117	,139	-,03	,31

(table continues)

(continued)

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will NOT diminish the performance of the National Industry (core sector) of the developing country.	18,298	200	,000	1,527	1,36	1,69
: FTA between developed countries and developing countries will have a positive impact on institutions level of the developing country.	5,899	200	,000	,493	,33	,66
: FTA between developed countries and developing countries will have a positive impact on infrastructure of the developing country.	17,652	200	,000	1,308	1,16	1,45
: FTA between developed countries and developing countries will have a positive impact on the stability of the macroeconomic environment of the developing country.	11,179	200	,000	,915	,75	1,08

(table continues)

(continued)

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will have a positive impact on the education and training system of the developing country.	21,091	200	,000	1,333	1,21	1,46
: FTA between developed countries and developing countries will increase the efficiency of the goods and services market of the developing country.	15,536	200	,000	1,179	1,03	1,33

Appendix 11: SPSS Output. Trade. Developed countries sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will boost the trade of the developing country	201	6,05	,887	,063
: FTA between developed countries and developing countries will boost the exports of the developing country.	201	6,00	,892	,063
: FTA between developed countries and developing countries will make increase the imports of the developing country.	201	5,84	,948	,067
: FTA between developed countries and developing countries will diminish the administrative barriers, and help a developing country.	201	5,82	1,117	,079
: FTA between developed countries and developing countries will NOT have a negative effect on a developing country due to the exchange rate.	201	4,84	1,189	,084

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will boost the trade of the developing country	32,747	200	,000	2,050	1,93	2,17
: FTA between developed countries and developing countries will boost the exports of the developing country.	31,881	200	,000	2,005	1,88	2,13
: FTA between developed countries and developing countries will make increase the imports of the developing country.	27,467	200	,000	1,836	1,70	1,97
: FTA between developed countries and developing countries will diminish the administrative barriers, and help a developing country.	23,111	200	,000	1,821	1,67	1,98
: FTA between developed countries and developing countries will NOT have a negative effect on a developing country due to the exchange rate.	10,023	200	,000	,841	,68	1,01

Appendix 12: SPSS Output. Employment. Developed countries sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will boost the employment rate of the developing country.	201	5,15	1,045	,074
: FTA between developed countries and developing countries will increase the efficiency of the labor market of the developing country.	201	4,82	1,285	,091

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will boost the employment rate of the developing country.	15,666	200	,000	1,154	1,01	1,30
: FTA between developed countries and developing countries will increase the efficiency of the labor market of the developing country.	9,003	200	,000	,816	,64	,99

Appendix 13: SPSS Output. Technological impacts. Developed countries sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will boost the productivity of the developing country.	201	5,32	1,029	,073
: FTA between developed countries and developing countries will have a positive technological impact on the developing country.	201	5,90	,806	,057
: FTA between developed countries and developing countries will have a positive impact on the production quality of the developing country.	201	5,20	,868	,061
: FTA between developed countries and developing countries will have a positive impact on the way of doing business of the developing country.	201	5,78	1,221	,086
: FTA between developed countries and developing countries will bring innovation to the developing country.	201	5,91	,834	,059

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will boost the productivity of the developing country.	18,171	200	,000	1,318	1,18	1,46
: FTA between developed countries and developing countries will have a positive technological impact on the developing country.	33,419	200	,000	1,900	1,79	2,01
: FTA between developed countries and developing countries will have a positive impact on the production quality of the developing country.	19,668	200	,000	1,204	1,08	1,32
: FTA between developed countries and developing countries will have a positive impact on the way of doing business of the developing country.	20,674	200	,000	1,781	1,61	1,95
: FTA between developed countries and developing countries will bring innovation to the developing country.	32,381	200	,000	1,905	1,79	2,02

Appendix 14: SPSS Output. Equality. Developed countries sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will increase the welfare of the developing country.	201	4,83	1,243	,088
: FTA between developed countries and developing countries will increase the real income of the developing country.	201	4,50	1,253	,088
: FTA between developed countries and developing countries will improve the human development of the developing country.	201	4,05	1,429	,101
: FTA between developed countries and developing countries will reduce the inequalities across the society of the developing country.	201	4,03	1,419	,100

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will increase the welfare of the developing country.	9,421	200	,000	,826	,65	1,00
: FTA between developed countries and developing countries will increase the real income of the developing country.	5,683	200	,000	,502	,33	,68
: FTA between developed countries and developing countries will improve the human development of the developing country.	,543	200	,588	,055	-,14	,25
: FTA between developed countries and developing countries will reduce the inequalities across the society of the developing country.	,348	200	,728	,035	-,16	,23

Appendix 25: SPSS Output. Social and environmental impacts. Developed countries sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will have a positive impact on the social development of the developing country.	201	4,81	1,438	,101
: FTA between developed countries and developing countries will have a positive environmental impact on the developing country.	201	4,92	1,626	,115
: FTA between developed countries and developing countries will improve the quality of the community of the developing country.	201	4,68	1,295	,091
: FTA between developed countries and developing countries will have a positive impact on the life satisfaction of the developing country.	201	4,49	1,425	,101

One-Sample Test

	Test Value = 4					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will have a positive impact on the social development of the developing country.	7,947	200	,000	,806	,61	1,01
: FTA between developed countries and developing countries will have a positive environmental impact on the developing country.	8,026	200	,000	,920	,69	1,15
: FTA between developed countries and developing countries will improve the quality of the community of the developing country.	7,460	200	,000	,682	,50	,86
: FTA between developed countries and developing countries will have a positive impact on the life satisfaction of the developing country.	4,900	200	,000	,493	,29	,69

Appendix 3: SPSS Output. Investment. Developed countries sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will improve the investment climate of the developing country.	201	5,56	,942	,066
: FTA between developed countries and developing countries will reduce the corruption level of the developing country.	201	3,90	1,490	,105
: FTA between developed countries and developing countries will boost the financial market development of the developing country.	201	4,79	1,042	,074

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will improve the investment climate of the developing country.	23,512	200	,000	1,562	1,43	1,69
: FTA between developed countries and developing countries will reduce the corruption level of the developing country.	-,947	200	,345	-,100	-,31	,11
: FTA between developed countries and developing countries will boost the financial market development of the developing country.	10,761	200	,000	,791	,65	,94

Appendix 17: SPSS Output. Competitiveness. Developing countries sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will improve the economic growth of the developing country.	202	4,46	1,785	,126
: FTA between developed countries and developing countries will have a positive impact on the Political Stability of the developing country.	202	3,04	1,489	,105
: FTA between developed countries and developing countries will NOT diminish the performance of the National Industry (core sector) of the developing country.	202	4,34	1,718	,121
: FTA between developed countries and developing countries will have a positive impact on institutions level of the developing country.	202	3,39	1,535	,108
: FTA between developed countries and developing countries will have a positive impact on infrastructure of the developing country.	202	4,06	1,680	,118
: FTA between developed countries and developing countries will have a positive impact on the stability of the macroeconomic environment of the developing country.	202	3,55	1,555	,109

(table continues)

(continued)

One-Sample Statistics

: FTA between developed countries and developing countries will have a positive impact on the education and training system of the developing country.	202	3,93	1,639	,115
: FTA between developed countries and developing countries will increase the efficiency of the goods and services market of the developing country.	202	4,10	1,707	,120

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will improve the economic growth of the developing country.	3,667	201	,000	,460	,21	,71
: FTA between developed countries and developing countries will have a positive impact on the Political Stability of the developing country.	-9,167	201	,000	-,960	-1,17	-,75

(table continues)

(continued)

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will NOT diminish the performance of the National Industry (core sector) of the developing country.	2,785	201	,006	,337	,10	,57
: FTA between developed countries and developing countries will have a positive impact on institutions level of the developing country.	-5,682	201	,000	-,614	-,83	-,40
: FTA between developed countries and developing countries will have a positive impact on infrastructure of the developing country.	,503	201	,616	,059	-,17	,29
: FTA between developed countries and developing countries will have a positive impact on the stability of the macroeconomic environment of the developing country.	-4,073	201	,000	-,446	-,66	-,23

(table continues)

(continued)

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will have a positive impact on the education and training system of the developing country.	-,644	201	,520	-,074	-,30	,15
: FTA between developed countries and developing countries will increase the efficiency of the goods and services market of the developing country.	,824	201	,411	,099	-,14	,34

Appendix 18: SPSS Output. Trade. Developing countries sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will boost the trade of the developing country	202	5,10	1,615	,114
: FTA between developed countries and developing countries will boost the exports of the developing country.	202	5,15	1,665	,117
: FTA between developed countries and developing countries will make increase the imports of the developing country.	202	5,10	1,681	,118
: FTA between developed countries and developing countries will diminish the administrative barriers, and help a developing country.	202	4,93	1,729	,122
: FTA between developed countries and developing countries will NOT have a negative effect on a developing country due to the exchange rate.	202	3,85	1,456	,102

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will boost the trade of the developing country	9,674	201	,000	1,099	,87	1,32
: FTA between developed countries and developing countries will boost the exports of the developing country.	9,801	201	,000	1,149	,92	1,38
: FTA between developed countries and developing countries will make increase the imports of the developing country.	9,292	201	,000	1,099	,87	1,33
: FTA between developed countries and developing countries will diminish the administrative barriers, and help a developing country.	7,649	201	,000	,931	,69	1,17
: FTA between developed countries and developing countries will NOT have a negative effect on a developing country due to the exchange rate.	-1,498	201	,136	-,153	-,36	,05

Appendix 49: SPSS Output. Employment. Developing countries sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will boost the employment rate of the developing country.	202	4,01	1,616	,114
: FTA between developed countries and developing countries will increase the efficiency of the labor market of the developing country.	202	3,78	1,612	,113

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will boost the employment rate of the developing country.	,131	201	,896	,015	-,21	,24
: FTA between developed countries and developing countries will increase the efficiency of the labor market of the developing country.	-1,920	201	,056	-,218	-,44	,01

Appendix 20: SPSS Output. Technological impacts. Developing countries sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will boost the productivity of the developing country.	202	3,90	1,633	,115
: FTA between developed countries and developing countries will have a positive technological impact on the developing country.	202	4,62	1,592	,112
: FTA between developed countries and developing countries will have a positive impact on the production quality of the developing country.	202	4,14	1,594	,112
: FTA between developed countries and developing countries will have a positive impact on the way of doing business of the developing country.	202	4,61	1,765	,124
: FTA between developed countries and developing countries will bring innovation to the developing country.	202	4,70	1,625	,114

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will boost the productivity of the developing country.	-,862	201	,390	-,099	-,33	,13
: FTA between developed countries and developing countries will have a positive technological impact on the developing country.	5,569	201	,000	,624	,40	,84
: FTA between developed countries and developing countries will have a positive impact on the production quality of the developing country.	1,280	201	,202	,144	-,08	,36
: FTA between developed countries and developing countries will have a positive impact on the way of doing business of the developing country.	4,903	201	,000	,609	,36	,85
: FTA between developed countries and developing countries will bring innovation to the developing country.	6,106	201	,000	,698	,47	,92

Appendix 21: SPSS Output. Equality. Developing countries sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will increase the welfare of the developing country.	202	3,01	1,596	,112
: FTA between developed countries and developing countries will increase the real income of the developing country.	202	3,08	1,532	,108
: FTA between developed countries and developing countries will improve the human development of the developing country.	202	2,72	1,568	,110
: FTA between developed countries and developing countries will reduce the inequalities across the society of the developing country.	202	2,57	1,448	,102

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will increase the welfare of the developing country.	-8,817	201	,000	-,990	-1,21	-,77
: FTA between developed countries and developing countries will increase the real income of the developing country.	-8,498	201	,000	-,916	-1,13	-,70
: FTA between developed countries and developing countries will improve the human development of the developing country.	-11,574	201	,000	-1,277	-1,49	-1,06
: FTA between developed countries and developing countries will reduce the inequalities across the society of the developing country.	-14,041	201	,000	-1,431	-1,63	-1,23

Appendix 22: SPSS Output. Social and environmental impacts. Developing countries sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will have a positive impact on the social development of the developing country.	202	2,93	1,639	,115
: FTA between developed countries and developing countries will have a positive environmental impact on the developing country.	202	2,68	1,596	,112
: FTA between developed countries and developing countries will improve the quality of the community of the developing country.	202	2,92	1,535	,108
: FTA between developed countries and developing countries will have a positive impact on the life satisfaction of the developing country.	202	2,78	1,507	,106

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will have a positive impact on the social development of the developing country.	-9,316	201	,000	-1,074	-1,30	-,85
: FTA between developed countries and developing countries will have a positive environmental impact on the developing country.	-11,730	201	,000	-1,317	-1,54	-1,10
: FTA between developed countries and developing countries will improve the quality of the community of the developing country.	-10,039	201	,000	-1,084	-1,30	-,87
: FTA between developed countries and developing countries will have a positive impact on the life satisfaction of the developing country.	-11,486	201	,000	-1,218	-1,43	-1,01

Appendix 5: SPSS Output. Investment. Developing countries sample.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
: FTA between developed countries and developing countries will improve the investment climate of the developing country.	202	4,25	1,696	,119
: FTA between developed countries and developing countries will reduce the corruption level of the developing country.	202	2,43	1,602	,113
: FTA between developed countries and developing countries will boost the financial market development of the developing country.	202	3,43	1,602	,113

One-Sample Test

	Test Value = 4					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
: FTA between developed countries and developing countries will improve the investment climate of the developing country.	2,116	201	,036	,252	,02	,49
: FTA between developed countries and developing countries will reduce the corruption level of the developing country.	-13,927	201	,000	-1,569	-1,79	-1,35
: FTA between developed countries and developing countries will boost the financial market development of the developing country.	-5,052	201	,000	-,569	-,79	-,35

Appendix 6: Factor and Clustering Analysis

A) Factor Analysis.

Input Criteria:

- *Principal Axis Factoring;*
- *Varimax;*
- *Small coefficients: bellow 0,4.*

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,971
Bartlett's Test of Sphericity	Approx. Chi-Square	16278,108
	df	465
	Sig.	,000

Total Variance Explained

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
	1	20,246	65,309	65,309	20,009	64,545	64,545	10,288	33,187
2	2,737	8,828	74,137	2,519	8,124	72,669	9,311	30,036	63,223
3	1,279	4,127	78,264	1,032	3,328	75,997	3,960	12,774	75,997
4	,768	2,476	80,740						
5	,542	1,748	82,489						
6	,541	1,746	84,235						
7	,482	1,554	85,789						
8	,365	1,178	86,967						
9	,345	1,111	88,079						
10	,316	1,018	89,097						
11	,294	,948	90,045						
12	,275	,887	90,932						
13	,255	,824	91,756						
14	,227	,734	92,490						
15	,223	,720	93,210						
16	,209	,674	93,884						
17	,204	,657	94,541						
18	,193	,622	95,162						

(table continues)

(continued)

Total Variance Explained

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
19	,185	,595	95,758						
20	,165	,532	96,289						
21	,159	,514	96,804						
22	,139	,449	97,253						
23	,127	,409	97,662						
24	,120	,386	98,048						
25	,111	,357	98,405						
26	,105	,337	98,742						
27	,096	,308	99,051						
28	,092	,296	99,347						
29	,075	,242	99,589						
30	,072	,234	99,823						
31	,055	,177	100,000						

Extraction Method: Principal Axis Factoring.

Rotated Factor Matrix^a

	Factor		
	1	2	3
: FTA between developed countries and developing countries will improve the economic growth of the developing country.		,779	
: FTA between developed countries and developing countries will have a positive impact on the Political Stability of the developing country.	,723		
: FTA between developed countries and developing countries will NOT diminish the performance of the National Industry (core sector) of the developing country.		,787	

(table continues)

(continued)

Rotated Factor Matrix^a

	Factor		
	1	2	3
: FTA between developed countries and developing countries will have a positive impact on institutions level of the developing country.	,683		,446
: FTA between developed countries and developing countries will have a positive impact on infrastructure of the developing country.	,435	,718	
: FTA between developed countries and developing countries will have a positive impact on the stability of the macroeconomic environment of the developing country.	,563	,588	
: FTA between developed countries and developing countries will have a positive impact on the education and training system of the developing country.	,587		,489
: FTA between developed countries and developing countries will increase the efficiency of the goods and services market of the developing country.	,465	,450	,535
: FTA between developed countries and developing countries will boost the trade of the developing country		,816	
: FTA between developed countries and developing countries will boost the exports of the developing country.		,652	,616
: FTA between developed countries and developing countries will make increase the imports of the developing country.		,539	,634

(table continues)

(continued)

Rotated Factor Matrix^a

	Factor		
	1	2	3
: FTA between developed countries and developing countries will diminish the administrative barriers, and help a developing country.		,751	
: FTA between developed countries and developing countries will NOT have a negative effect on a developing country due to the exchange rate.	,444	,424	,494
: FTA between developed countries and developing countries will boost the employment rate of the developing country.	,507	,713	
: FTA between developed countries and developing countries will increase the efficiency of the labor market of the developing country.	,545	,649	
: FTA between developed countries and developing countries will boost the productivity of the developing country.	,559	,676	
: FTA between developed countries and developing countries will have a positive technological impact on the developing country.		,790	
: FTA between developed countries and developing countries will have a positive impact on the production quality of the developing country.	,463	,536	,530
: FTA between developed countries and developing countries will have a positive impact on the way of doing business of the developing country.		,485	,590

(table continues)

(continued)

Rotated Factor Matrix^a

	Factor		
	1	2	3
: FTA between developed countries and developing countries will bring innovation to the developing country.		,797	
: FTA between developed countries and developing countries will increase the welfare of the developing country.	,794	,439	
: FTA between developed countries and developing countries will increase the real income of the developing country.	,755		,434
: FTA between developed countries and developing countries will improve the human development of the developing country.	,813		
: FTA between developed countries and developing countries will reduce the inequalities across the society of the developing country.	,849		
: FTA between developed countries and developing countries will have a positive impact on the social development of the developing country.	,812	,422	
: FTA between developed countries and developing countries will have a positive environmental impact on the developing country.	,690		
: FTA between developed countries and developing countries will improve the quality of the community of the developing country.	,807		

(table continues)

(continued)

Rotated Factor Matrix^a

	Factor		
	1	2	3
: FTA between developed countries and developing countries will have a positive impact on the life satisfaction of the developing country.	,815		
: FTA between developed countries and developing countries will improve the investment climate of the developing country.	,477	,639	
: FTA between developed countries and developing countries will reduce the corruption level of the developing country.	,787		
: FTA between developed countries and developing countries will boost the financial market development of the developing country.	,634		,412

Extraction Method: Principal Axis Factoring.

Rotation Method: Varimax with Kaiser Normalization.

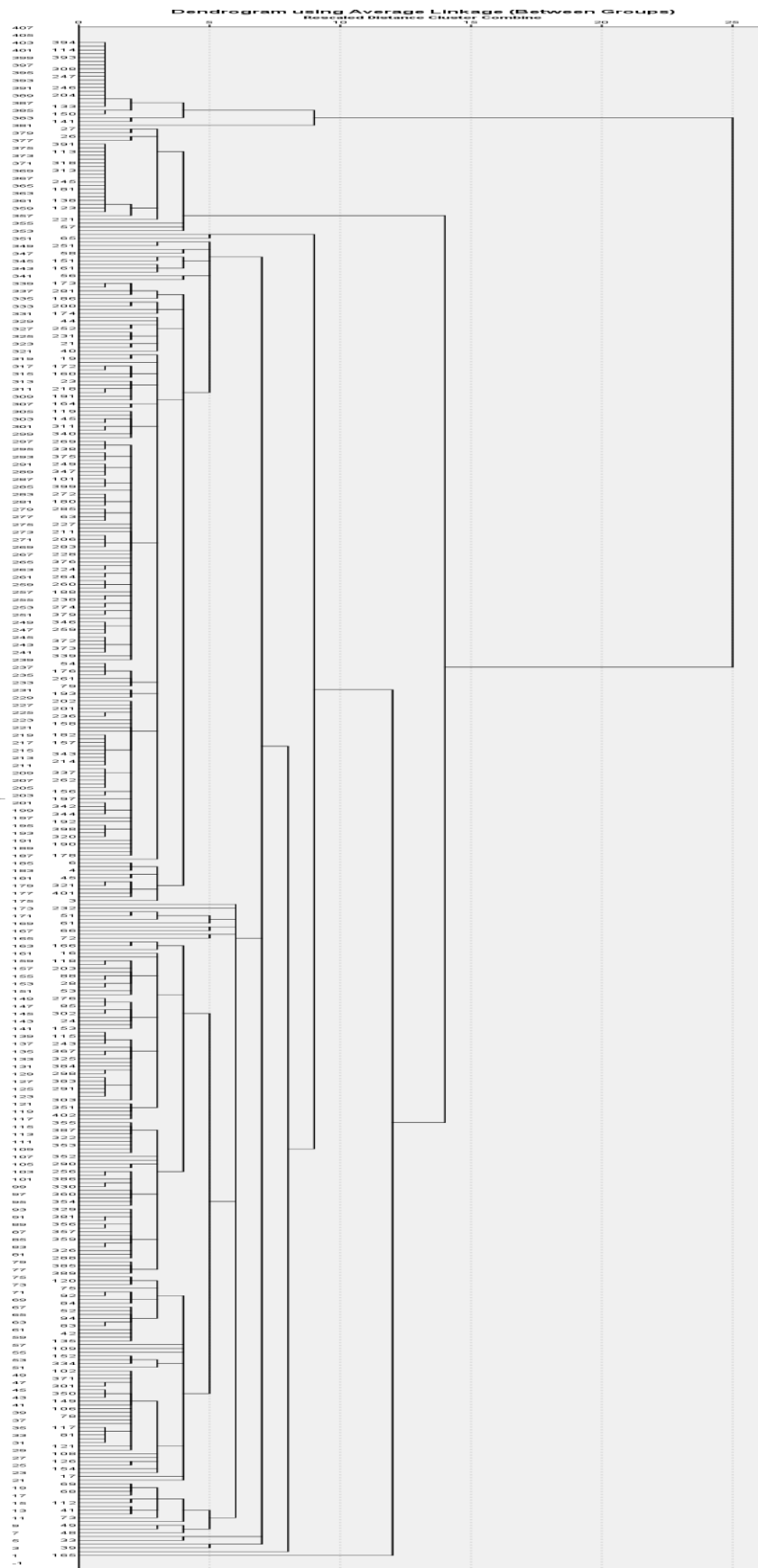
a. Rotation converged in 11 iterations.

B) Clustering Analysis. Hierarchical Clustering.

Input Criteria:

- *Cluster Method: Between-groups linkage.*
- *Interval: Squared Euclidean Distance.*

Dendrogram:



C) Clustering Analysis. K-Means Clustering.

Final Cluster Centers

	Cluster			
	1	2	3	4
: FTA between developed countries and developing countries will improve the economic growth of the developing country.	4	5	1	7
: FTA between developed countries and developing countries will have a positive impact on the Political Stability of the developing country.	3	4	1	6
: FTA between developed countries and developing countries will NOT diminish the performance of the National Industry (core sector) of the developing country.	4	6	1	6
: FTA between developed countries and developing countries will have a positive impact on institutions level of the developing country.	3	4	1	7
: FTA between developed countries and developing countries will have a positive impact on infrastructure of the developing country.	4	5	1	7
: FTA between developed countries and developing countries will have a positive impact on the stability of the macroeconomic environment of the developing country.	4	5	1	6

(table continues)

(continued)

Final Cluster Centers

	Cluster			
	1	2	3	4
: FTA between developed countries and developing countries will have a positive impact on the education and training system of the developing country.	4	5	1	7
: FTA between developed countries and developing countries will increase the efficiency of the goods and services market of the developing country.	4	5	1	7
: FTA between developed countries and developing countries will boost the trade of the developing country	5	6	1	7
: FTA between developed countries and developing countries will boost the exports of the developing country.	5	6	2	7
: FTA between developed countries and developing countries will make increase the imports of the developing country.	5	6	2	7
: FTA between developed countries and developing countries will diminish the administrative barriers, and help a developing country.	5	6	1	7
: FTA between developed countries and developing countries will NOT have a negative effect on a developing country due to the exchange rate.	4	5	1	6

(table continues)

(continued)

Final Cluster Centers

	Cluster			
	1	2	3	4
: FTA between developed countries and developing countries will boost the employment rate of the developing country.	4	5	1	7
: FTA between developed countries and developing countries will increase the efficiency of the labor market of the developing country.	3	5	1	7
: FTA between developed countries and developing countries will boost the productivity of the developing country.	4	5	1	7
: FTA between developed countries and developing countries will have a positive technological impact on the developing country.	5	6	1	7
: FTA between developed countries and developing countries will have a positive impact on the production quality of the developing country.	4	5	1	7
: FTA between developed countries and developing countries will have a positive impact on the way of doing business of the developing country.	4	6	1	7

(table continues)

(continued)

Final Cluster Centers

	Cluster			
	1	2	3	4
: FTA between developed countries and developing countries will bring innovation to the developing country.	5	6	1	7
: FTA between developed countries and developing countries will increase the welfare of the developing country.	3	5	1	7
: FTA between developed countries and developing countries will increase the real income of the developing country.	3	4	1	7
: FTA between developed countries and developing countries will improve the human development of the developing country.	2	4	1	6
: FTA between developed countries and developing countries will reduce the inequalities across the society of the developing country.	2	4	1	6
: FTA between developed countries and developing countries will have a positive impact on the social development of the developing country.	2	5	1	7
: FTA between developed countries and developing countries will have a positive environmental impact on the developing country.	2	5	1	6

(table continues)

(continued)

Final Cluster Centers

	Cluster			
	1	2	3	4
: FTA between developed countries and developing countries will improve the quality of the community of the developing country.	3	4	1	7
: FTA between developed countries and developing countries will have a positive impact on the life satisfaction of the developing country.	2	4	1	7
: FTA between developed countries and developing countries will improve the investment climate of the developing country.	4	6	1	7
: FTA between developed countries and developing countries will reduce the corruption level of the developing country.	2	4	1	6
: FTA between developed countries and developing countries will boost the financial market development of the developing country.	3	5	1	7

Number of Cases in each

Cluster

Cluster	1	144,000
	2	200,000
	3	23,000
	4	36,000
Valid		403,000
Missing		,000

Appendix 7: Discussion Guide for Qualitative Research.

Pillar 1: Competitiveness.

FTA between developed countries and developing countries will have an improvement on the Competitiveness of the developing country.

1 2 3 4 5 6 7

Entirely Disagree

Entirely Agree

How? Choose the 2 most relevant factors.

- By improving the economic growth of the developing country.
- By having a direct and positive impact on the Political Stability of the developing country.
- By improving the performance of the National Industry (core national sectors) of the developing country.
- By having a positive impact at the Institutions level of the developing country.
- By having a positive impact on the infrastructure of the developing country.
- By having a direct impact on the stability of the macroeconomic environment of the developing country.
- By having a positive impact on the education and training system of the developing country.
- By having a positive impact on the goods and services market efficiency of the developing country.
- There is not going to be any improvement.

Pillar 2: Trade.

FTA between developed countries and developing countries will have an improvement on the Trade of the developing country.

1 2 3 4 5 6 7

Entirely Disagree

Entirely Agree

How? Choose the 2 most relevant factors.

- By boosting the trade of the developing country.
- By boosting the exports of the developing country.
- By making the imports of a developing country higher.
- By diminishing the administrative barriers, and help a developing country.
- By having a positive impact on the exchange rate of the developing country.
- There is not going to be any improvement.

Pillar 3: Employment.

FTA between developed countries and developing countries will have an improvement on the Employment of the developing country.

1 2 3 4 5 6 7

Entirely Disagree

Entirely Agree

How? Choose the most relevant factor.

- By boosting the employment rate of the developing country.
- By having a positive impact on the labor market efficiency of the developing country.
- There is not going to be any improvement.

Pillar 4: Technological impacts.

FTA between developed countries and developing countries will have an improvement on the Technological Sphere of the developing country.

1 2 3 4 5 6 7

Entirely Disagree

Entirely Agree

How? Choose the 2 most relevant factors.

- By boosting the productivity of the developing country.
- By having a positive technological impact on the developing country.
- By having a positive impact on the production quality of the developing country.
- By having a positive impact on the way of doing business of the developing country.
- By bringing innovation to the developing country.
- There is not going to be any improvement.

Pillar 5: Equality.

FTA between developed countries and developing countries will have an improvement on the Equality of the developing country.

1 2 3 4 5 6 7

Entirely Disagree

Entirely Agree

How? Choose the 2 most relevant factors.

- By having a positive impact on the welfare of the developing country.
- By increasing the real income of the developing country.
- By improving the human development of the developing country.
- By reducing the inequalities across the society of the developing country.
- There is not going to be any improvement.

Pillar 6: Social and Environmental impacts.

FTA between developed countries and developing countries will have an improvement on the Social and Environmental Sphere of the developing country.

1 2 3 4 5 6 7

Entirely Disagree

Entirely Agree

How? Choose the 2 most relevant factors.

- By having a positive impact on the social development of a developing country.
- By having a positive environmental impact on the developing country.
- By improving the quality of the community of the developing country.
- By having a positive impact on the life satisfaction of the developing country.
- There is not going to be any improvement.

Pillar 7: Investment.

FTA between developed countries and developing countries will have an improvement on the Investment Climate of the developing country.

1 2 3 4 5 6 7

Entirely Disagree

Entirely Agree

How? Choose the most relevant factor.

- By improving the investment climate of the developing country.
- By having a positive impact reducing the corruption level on the developing country.
- By boosting the financial market development of the developing country.
- There is not going to be any improvement.