

Abstract

With the current rate of globalization, trade plays a crucial role in shaping Asian economy. The expansion of trade activity is considered to be among the main driving force behind the fastest-growing region in the world. Despite the rapid growth of Asia, member countries of the region still face difficulty in maintaining the widening wealth gap. In that regard, this paper attempts to answer the concern regarding certain implications of trade on inequality. In pursuing the result, this study utilizes panel data on trade and inequality from 12 Asian countries within the period of 2006 to 2016. Throughout the selected period, Asia has undergone a number of notable transformations in its trade model, along with a considerable growth in inequality. According to the fixed regression outcome, a rise in trade is found to be statistically significant in increasing the rate of within-country inequality in Asia. This finding is robust to several modifications in the model, with variations in the explanatory variables.

Keywords: Trade, inequality, Asian countries, developing countries, developed countries, fixed effect