

The United States International Trade Commission (USITC) continues to use GTAP on requests from the United States Trade Representative and Congress to evaluate the potential impacts of prospective trade policy changes. These requests include both long-term statutory investigations and short-term technical assistance.

A number of GTAP-related projects requested by our customers that were successfully completed include an environmental review of the FTAA as well as numerous assessments of bilateral FTA's. The environmental review was done in conjunction with the U.S. Environmental Protection Agency and U.S. Department of Agriculture's Economic Research Service. In this study, the GTAP and USITC national models were jointly used, to allow bilateral trade flow implications from the GTAP model to be incorporated in the USITC model, which is a single-country model with a high degree of sectoral disaggregation. The other requests include analyses of bilateral FTA's between the United States and Australia, Morocco, CAFTA, and the Dominican Republic. Pre-release version 1 of the GTAP version 6 data base is being used in the analysis of these FTAs. This allows us to incorporate recent data on trade flows and output in the analysis of the agreements. For the Central America-Dominican Republic Agreement, the data base is being used to construct a synthetic region including the partner countries. Other similar requests might be received after November to analyze bilateral FTAs with South Africa, Thailand, and a number of middle eastern countries.

Other items of interest to the GTAP board include discussions between the USITC's Office of Economics and Philippa Dee regarding work on a substantial update of the base data for the FTAP database. Marinos Tsigas participated in the 11th Annual Short Course in Global Trade Analysis as an instructor and will also participate in the 12th Short Course. Soamiely Andriamananjara and Marinos Tsigas contributed and are in the process of contributing input-output tables for Madagascar and the United States.

In collaboration with Monash University, the USITC continues work on a new, highly detailed dynamic U.S. model—the USAGE-ITC model—with updated parameters, state level components, and greater labor detail. The USAGE-ITC model will be easily linkable to the GTAP model and will offer interested parties an alternative U.S. model with enhanced capabilities. The second phase of the project was completed, and a paper summarizing this progress was presented at Empirical Trade Analysis: Strengthening Analytical Capabilities to Support Trade Negotiations, a conference jointly sponsored by Commerce, the Woodrow Wilson International Center for Scholars, ERS, and the USITC (January 22- 23, 2004). In their paper, "State-level Dynamic CGE Modeling for Forecasting and Policy Analysis," Peter Dixon and Maureen Rimmer of Monash University showed how a national model of the U.S. could be modified with add-on programs to show regional (State-level) effects of tariff removal.

Of note, this version of the USAGE-ITC model was used for the 2004 Import Restraints Study to model the effects of unilateral liberalization of U.S. import barriers. In particular, its ability to decompose national results to a State level allowed the effects of trade barriers on different States to be illustrated.

For the third phase of the USAGE project, the Monash team has proposed extending the USAGE-ITC model to analyze policy effects on occupational employment, different types of households, and different types of labor. In addition, they have proposed adding additional components to the model that take into account investment behavior as well as complex supply responses in U.S. labor markets. Completion of phase three is planned for Spring 2005.

The USITC completed the first phase of another long-term project aimed at expanding its CGE capabilities that are relevant to GTAP, namely a project to improve NTM measurements for possible inclusion in CGE analyses. The NTM Project, which is ongoing, has produced estimates of the global economic effects of certain categories of NTMs for a specific GTAP aggregation. These estimates have been obtained by econometric analysis of international goods price dispersion, making use of a database generated by the project of goods, sectors, and countries for which NTMs have been notified or alleged. Three papers summarizing the results of the NTM project were presented at the APEC Capacity-Building Workshop on Quantitative Methods for Assessing NTMs and Trade Facilitation, which took place in Bangkok on October 8-10, 2003. The proceedings of the workshop, which featured CGE applications by other scholars as well, are forthcoming from World Scientific Press. The workshop was jointly organized by the ITC and the Australian Productivity Commission.

The following USITC public studies or papers by USITC economists completed during the past year contain research based on, or relevant to, the GTAP model and database:

Monographs:

USITC, *The Economic Effects of Significant Import Restraints: Fourth Update 2004*, Investigation 332-325 (June 2004).

USITC, *Economywide Simulation Modeling: Technical Analysis of the Free Trade Area of the Americas*, Investigation 332-457 (January 2003) Confidential.

USITC, *The Impact of Trade Agreements: Effect of the Tokyo Round, U.S.-Israel FTA, U.S.-Canada FTA, NAFTA, and the Uruguay Round on the U.S. Economy*, Investigation TA-2111-1 (August 2003).

USITC *U.S.-Australia Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects*, Investigation TA-2104-11 (May 2004).

USITC, *U.S.-CAFTA and Dominican Republic Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects*, Investigation TA-2104-14 (forthcoming).

USITC, *U.S.-Morocco Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects*, Investigation TA-2104-14 (June 2004).

Manuscripts:

Soamiely Andriamananjara, Edward J. Balistreri, and Martin Ross “State-level Equity and the Demise of the Agreement on Textiles and Clothing,” presented at the 7th Annual Conference on Global Economic Analysis, Washington DC (June 2004).

Soamiely Andriamananjara, Judith Dean, Michael Ferrantino, Robert Feinberg, Rodney Ludema and Marinos Tsigas “The Effects of Non-Tariff Measures on Prices, Trade, and Welfare: CGE Implementation of Policy-Based Price Comparisons,” presented at the 7th Annual Conference on Global Economic Analysis, Washington DC (June 2004).

Soamiely Andriamananjara, Michael Ferrantino, and Marinos Tsigas “New Estimates of the Effects of NTMs in the Global Economy” presented at the APEC Capacity-Building Workshop on Quantitative Methods for Assessing NTMs and Trade Facilitation, Bangkok, Thailand (October 2003).

Gouranga Das, and Soamiely Andriamananjara “Hub-and-Spokes FTAs in the Presence of Technology Spillovers: An application to the Western Hemisphere,” presented at the 7th Annual Conference on Global Economic Analysis, Washington DC (June 2004).

Judith Dean, Michael Ferrantino, Robert Feinberg, and Rodney Ludema “Estimates of the Price Effects of NTMs Using Retail Data at the City Level,” presented at the APEC Capacity-Building Workshop on Quantitative Methods for Assessing NTMs and Trade Facilitation, Bangkok, Thailand (October 2003).

William Donnelly, David Ingersoll, Kyle Johnson, and Marinos Tsigas “Revised Armington Elasticities of Substitution for the USITC Model and the Concordance for Constructing a Consistent Set for the GTAP Model,” USITC, Office of Economics Research Note # 2004-01-A (January 2004).

Alan Fox “Evaluating the Success of a CGE Model of the U.S.-Canada and North American Free Trade Agreements,” presented at the 7th Annual Conference on Global Economic Analysis, Washington DC (June 2004).

Diane Manifold and William Donnelly “A Multisource Inventory of NTMs for Analytical Purposes” presented at the APEC Capacity-Building Workshop on Quantitative Methods for Assessing NTMs and Trade Facilitation, Bangkok, Thailand (October 2003).

Marinos Tsigas “Policy reform in agriculture and the environment: Linkages in the crops sector,” presented at the 7th Annual Conference on Global Economic Analysis, Washington DC (June 2004).