

News from downunder

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Productivity Commission

What's going on in CGE?

- Global greenhouse modelling
 - Moved from ABARE to Treasury
- Commission
 - Industry assistance (cars, TCF) – MMRF
 - Domestic economic reform – MMRF
 - Pure model development:
 - MMRF
 - GTAP – Armington-Heckscher-Ohlin

Armington-Heckscher-Ohlin

- Insert homogeneous goods into GTAP by:
 - Inserting LOOP goods (AHO):
 - modify equations
 - add one-way trade goods
 - Approximation (“simple AHO”):
 - add one-way trade goods
 - increase Armington substitution to 100

Experiment

- Hertel et al 1997
- 3 goods (food, manuf, serv), 3 countries
- Armington elasticities: 2.4, 2.8, 1.9
- AHO good: only manufacturing
 - 50 % of ROW production
 - 50 % of ROW exports
 - 10 % of US, EU production

10 per cent reduction in tariff on US food exported to EU

