Does time matter: Dynamic Effects of Gradual elimination of Quota on China’s textile in Post-MFA Era

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Brief background and Scenarios

![Graph showing Namerica and EU scenarios from 2001 to 2010. The graph indicates a positive trend for both regions.]
The change of China real GDP growth
(Cumu. Difference to baseline, %)

Finding: It does matter to China’s real GDP growth, especially for the beginning of several years. However, such a disparity will be eliminated gradually and the cumulative growth to baseline will converge around 2020.
RORGA – Actual Return on Capital
(Cumu. Difference to baseline, %)
Change in Capital
(Cumu. Difference to baseline, %)


- S_e2005
- S_e2010
Change in Employment
(Cumu. Difference to baseline, %)


S_e2005 S_e2010
## Welfare Decomposition

<table>
<thead>
<tr>
<th></th>
<th>3 CHN_TWN</th>
</tr>
</thead>
<tbody>
<tr>
<td>alloc_A1</td>
<td>37205</td>
</tr>
<tr>
<td>endwNA_B1</td>
<td>0</td>
</tr>
<tr>
<td>tech_C1</td>
<td>0</td>
</tr>
<tr>
<td>pop_D1</td>
<td>0</td>
</tr>
<tr>
<td>tot_E1</td>
<td>-16115</td>
</tr>
<tr>
<td>IS_F1</td>
<td>-2640</td>
</tr>
<tr>
<td>pref_G1</td>
<td>0</td>
</tr>
<tr>
<td>nf_equit_H1</td>
<td>2769</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21219</strong></td>
</tr>
</tbody>
</table>

![Graph showing welfare decomposition](image-url)
Welfare Decomposition

- The total contribution to regional EV of allocative effects

\[
CNTalleffir(i,r) = [0.01 \times EVSCALFACT(r)] \times [PTAX(i,r) \times [qo(i,r) - pop(r)] \\
+ \sum(j, PROD_COMM, ETAX(i,j,r) \times [qfe(i,j,r) - pop(r)])];
\]

\[
CNTalleffir(i,r) = [0.01 \times EVSCALFACT(r)] \times [PTAX(i,r) \times [qo(i,r) - pop(r)] \\
+ \sum(j, PROD_COMM, IFTAX(i,j,r) \times [qfm(i,j,r) - pop(r)]) \\
+ \sum(j, PROD_COMM, DFTAX(i,j,r) \times [qfd(i,j,r) - pop(r)]) + IPTAX(i,r) \times [qpm(i,r) - pop(r)] \\
+ DPTAX(i,r) \times [qpd(i,r) - pop(r)] + IGTAX(i,r) \times [qgm(i,r) - pop(r)] \\
+ DGTAX(i,r) \times [qgd(i,r) - pop(r)] + \sum(s, REG, XTAXD(i,r,s) \times [qxs(i,r,s) - pop(r)]) \\
+ \sum(s, REG, MTAX(i,s,r) \times [qxs(i,s,r) - pop(r)])];
\]

<table>
<thead>
<tr>
<th>R019</th>
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</thead>
<tbody>
<tr>
<td>1 Land</td>
<td>-0.13</td>
</tr>
<tr>
<td>2 UnSkLab</td>
<td>-7.5</td>
</tr>
<tr>
<td>3 SkLab</td>
<td>6.51</td>
</tr>
<tr>
<td>4 Capital</td>
<td>713.36</td>
</tr>
<tr>
<td>5 NatRes</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>699.23</td>
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<table>
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<tr>
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<th>3 CHN_TWN</th>
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<tbody>
<tr>
<td>1 grains</td>
<td>1221.86</td>
</tr>
<tr>
<td>2 food</td>
<td>3012.87</td>
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<tr>
<td>3 extract</td>
<td>-144.66</td>
</tr>
<tr>
<td>4 tex</td>
<td>30679.29</td>
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<tr>
<td>5 mnfc</td>
<td>190.61</td>
</tr>
<tr>
<td>6 serv</td>
<td>1547.02</td>
</tr>
<tr>
<td>Total</td>
<td>36506.98</td>
</tr>
</tbody>
</table>
Welfare Decomposition

- The terms of trade effect on regional EV
  \[
  CNT_{tot}(r) = [0.01 \cdot EVSCALFACT(r)] \\
  \times \left[ \sum(i, TRAD_COMM, \sum(s, REG, VXWD(i,r,s) \cdot [pfob(i,r,s)]) \\
  + \sum(m, MARG_COMM, VST(m,r) \cdot [pm(m,r)]) \\
  - \sum(i, TRAD_COMM, \sum(s, REG, VXWD(i,s,r) \cdot [pfob(i,s,r)]) \\
  - \sum(m, MARG_COMM, VTMD(m,r) \cdot [pt(m)]) \right] \\
  \\
  Since \ total(r) = ps\_w(r) - pd\_w(r) => ps\_w(r) < pd\_w(r)
  
- Capital goods price effect on regional EV
  \[
  CNT_{cgds}(r) = [0.01 \cdot EVSCALFACT(r)] \cdot \left[ NETINV(r) \cdot pcgds(r) - SAVE(r) \cdot psave(r) \right] \\
  \\
  pcgds(r) and psave(r) increase, but the change in the second term is larger.
  
- The contribution to regional EV of changes in financial equity owned by regions
  \[
  CNT_{feqy}(r) = [0.01 \cdot EVSCALFACT(r)] \cdot \left[ \sum(i, ENDWC_COMM, VOA(i,r) \cdot [qk(r) - pop(r)]) \\
  - VDEP(r) \cdot [qk(r) - pop(r)] + YQHTRUST(r) \cdot [yqht(r) - pop(r)] - YQTFIRM(r) \cdot [yqtf(r) - pop(r)] \right] \\
  \\
  Household income from equity in the global trust, yqht(r), decreases
  Global trust income from equity in firms in region r, yqtf(r), increases
Brief conclusions and policy implications

• For China
  – Be patient...
    • Although the benefits of gradual elimination are not so significant in short term, the long run effects are similar...
    • The adjustment is smoother...

• For NAMERICA and EU
  – Taking time to adjust...
    • Although the competition from China is temporary weakened, it will be released gradually. The best strategy is getting ready for adjustments...
• Thanks for attention!

• Looking for all the participants to China...
• Find chance to cooperate with you to work, drink beer or dance...
• Keep in touch!!!