GTAP 101 COURSE
Research Project: The Doha Development Agenda

Amadou Sagnon
Simon Githuku
Contents

- The Research question
- The model experiment
- The key results
- The results explanation
The Research Question

- In Doha negotiations, ROW and specially developing countries blame developed countries, USA in particular to distort international trade by keeping high subsidies in their agriculture sector.

- For developing countries the removal of agriculture subsidies in developed countries will largely contribute to increase the potential global welfare gains and make Doha benefit to them.

- Is that true?
The Model Experiment

- There are 4 scenarios in the experiment:
  - The 3 others, set up for comparison reasons with the baseline one, are:
    - US Non Agriculture Policy Reform: eliminate US nonagricultural tariffs and exports subsidies
    - ROW Agriculture Policy Reform: eliminate ROW agricultural production subsidies and reduce and reduce agricultural tariffs and exports subsidies on trade with US by 50%
    - ROW Non Agriculture Policy Reform: Reduce ROW nonagricultural tariffs and exports subsidies on trade with US by 50%
### The key Results

#### A. Welfare Analysis Table

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>-1 208.97</td>
<td>-10 361.16</td>
<td>-74 904.12</td>
<td>192 692.16</td>
</tr>
<tr>
<td>ROW</td>
<td>+421.36</td>
<td>+13 696.8</td>
<td>+91 427.87</td>
<td>-538 504.88</td>
</tr>
<tr>
<td>World</td>
<td>-787.61</td>
<td>+3 335.64</td>
<td>+16 523.75</td>
<td>-345 812.72</td>
</tr>
</tbody>
</table>

#### B. Comments

- The removal of US agricultural tariffs, exports subsidies and production subsidies, as requested in Doha negotiations will lead to a potential global welfare lost by 787 million US$. Also, it contributes less to ROW welfare gains (see table).

- ROW Agriculture Policy Reform is the best option to increase ROW and global welfare and make Doha benefit to developing countries.
The Results Explanation

- The imports tariffs applied by ROW on agriculture is very high (8.5; see base tax rate table). So its reduction by 50% could be the main explanation of the results.

- Broadly that reduction of the tariffs will increase ROW production and exports and lead to potential ROW and Global welfare.

### Base Tax Rate Table

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Unites States (USA)</th>
<th>Rest of World (ROW)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agr</td>
<td>Mfg</td>
</tr>
<tr>
<td>Subsidies on domestic intermediate inputs used in agriculture protection (rTFD)</td>
<td>-4.01</td>
<td>-0.992</td>
</tr>
<tr>
<td>Subsidies on imported intermediate inputs used in agriculture protection (rTFI)</td>
<td>-4.1</td>
<td>-2.01</td>
</tr>
<tr>
<td>Exports Subsidies (rTXS)</td>
<td>-0.005</td>
<td>-0.287</td>
</tr>
<tr>
<td>Imports tariffs (rTMS)</td>
<td>0.479</td>
<td>1.91</td>
</tr>
</tbody>
</table>