TRADE & POVERTY GROUP

2008 GTAP Short Course
8-8-08
Trade and Poverty

The valiant team led by.....

Roman Keeney

Tasneem Mirza

Nelson Villoria
Analyzing Trade & Poverty
(GTAP Working Paper 37)

• Provides insight into impacts of trade policies on the poor
• Uses household survey data for 6 low income countries
• Model variation
  – Non-homothetic AIDADS demand system
  – Stratifies Agricultural and Non-agricultural earnings to match household earning profiles
• Replication Sim: Agricultural liberalization by rich countries.
Presenting the Presenters..

• Can complete trade liberalization be pro-poor?  
  Rebecca Dillender & Nicholas Grossman

• Full vs. Partial liberalization of Trade: Gains and Losses  
  Misak Avetisyan & Tadashi Kikuchi

• What matters more for poverty alleviation: Tariff, Export subsidies or Domestic Support?  
  Azza Kamal & Vinaye Ancharaz

• Trade Facilitation & Poverty  
  Maria Persson & Holger Matthey
Can Complete Trade Liberalization be Pro-Poor?
Experiment

Complete trade liberalization

Shock tms(TRAD_COMM,reg,reg) = rate% -100 from file tms.shk;
Shock txs(TRAD_COMM,reg,reg) = rate% -100 from file txs.shk;

What happens to the Poverty Headcount?
Percentage Change in Poverty Headcount
(<$1/day)

Mexico: 0.2%
Brazil: 0.6%
Thailand: -6.3%
Vietnam: -3.7%
Mozambique: 0.1%
Malawi: -0.1%
Poverty Decomposition
(level changes)

<table>
<thead>
<tr>
<th></th>
<th>Brazil</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>-561,000</td>
<td>-117,000</td>
</tr>
<tr>
<td>Taxes</td>
<td>442,000</td>
<td>107,000</td>
</tr>
<tr>
<td>Cost of Living</td>
<td>258,000</td>
<td>-65,000</td>
</tr>
<tr>
<td>Total</td>
<td><strong>140,000</strong></td>
<td><strong>-74,000</strong></td>
</tr>
</tbody>
</table>

(percent of total impoverished)

<table>
<thead>
<tr>
<th></th>
<th>Brazil</th>
<th>Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td>-2.4%</td>
<td>-9.9%</td>
</tr>
<tr>
<td>Taxes</td>
<td>1.9%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Cost of Living</td>
<td>1.1%</td>
<td>-5.5%</td>
</tr>
<tr>
<td>Total</td>
<td><strong>0.6%</strong></td>
<td><strong>-6.3%</strong></td>
</tr>
</tbody>
</table>
Who are the Poor?

BRAZIL

![Bar chart showing the comparison between Pre-Sim and Post-Sim for different categories in Brazil.](chart.png)
Why?

• Pre-simulation trade/GDP ratio is 0.28

• Increases in exports were highly concentrated in AG.

• Reduction in poverty in AG-household driven by income effect.

• Nearly all prices \([pp(i,r)]\) increased leading to increased cost of living.

• Increases in poverty in Urban-labor and Rural-labor due to lack of increased income.
Who are the Poor?

THAILAND

[Graph showing various categories and their comparisons between Pre-Sim and Post-Sim, with labels for categories such as AGRICULT, NNAGRCLT, URBLABOR, RURLABOR, TRANSFER, URBDIVRS, and RURDIVRS.]
Why?

• Pre-simulation trade/GDP ratio is 1.25
• Increase in exports was more broad-based (AG, T&A, & Manufactures).
• Broad-based increases in returns to factors had more equitable distributive income effect, therefore effecting a larger number of people.
• Price \([pp(i,r)]\) changes were mixed.