Introduction

- Doha came in 2001 with the promises to cut tariffs on trade between all WTO members.

- **Database:** GTAP 6.1 with 92 countries & 57 sectors narrowed down to 12 countries & regions and 28 sectors.

- Peter’s paper analyzed the impact of applying Doha’s formulas on tariff reductions towards all regions!

- **Our Question:** What is the impact on Egypt’s welfare, trade flows, domestic production if it fully liberalizes tariffs on two of its main sectors towards its largest trade partner EU.
Doha & Egypt:

Liberalization of Automotive Tariffs on EU imports into Egypt

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Experiment Description


Closure: GE Standard closure + Unemployment in Egypt

\[ \text{swap qo("Unsklab", "Egypt") = pfactreal("Unsklab", "Egypt")}; \]

Current unemployment in Egypt is about 11%

Shock: Calculate power of tax using Valerie tool

\[ \text{Shock tms("cartrn","EU","Egypt") = -16.58%;} \]

To get: \( \text{tm ("cartrn","EU","Egypt") = 0} \)

Finally Solve

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**Interpretation**

- **Welfare** change significantly with unemployment closure.
- **Production** is not really affected, only by -1.4% from base to the two other Exp.
- **Egy Imports of cars from EU** nearly doubled by cutting the tariffs on EU but **Why??**
- **Total Egy Exports of cars** increase by a small percentage of only 5.5% compared to the base. **Why??**
Welfare Decomposition

<table>
<thead>
<tr>
<th>Allocative Efficiency</th>
<th>Endowment</th>
<th>Technology</th>
<th>population</th>
<th>Terms of Trade</th>
<th>I &amp; S Prices</th>
<th>Preferences</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>WELFARE</td>
<td>6.85</td>
<td>74.65</td>
<td>0</td>
<td>0</td>
<td>-6.92</td>
<td>3.78</td>
<td>0</td>
</tr>
</tbody>
</table>

Welfare impact is dominated by endowment effect

- Now, *We need to dig into endowment:* As a direct effect of the Unemp closure, *UNSklab captures more than 95% of the impact.*

- *Qfe(i,j,r) & Pfe(i,j,r)* are investigated: UNSklab price increased slightly, while demand on UNSklab decreased in Cartrn and is absorbed mainly by Cons and transportation services.

\[
qfe(i,j,r) = - afe(i,j,r) + qva(j,r) - ESUBVA(j) \times [pfe(i,j,r) - afe(i,j,r) - pva(j,r)];
\]

<table>
<thead>
<tr>
<th>Qfe Decomposition</th>
<th>cartrn</th>
<th>Con</th>
<th>Lmf</th>
<th>Min</th>
<th>pfbev</th>
<th>Trncomsvc</th>
<th>CGDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 e1_afe</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2 qva</td>
<td>-1.372</td>
<td>0.458</td>
<td>0.296</td>
<td>0.215</td>
<td>0.078</td>
<td>0.578</td>
<td>0.528</td>
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<tr>
<td>3 e1_ESUBVA</td>
<td>0.321</td>
<td>0.247</td>
<td>0.221</td>
<td>0.225</td>
<td>0.266</td>
<td>0.314</td>
<td>0.174</td>
</tr>
<tr>
<td>Total</td>
<td>-1.051</td>
<td>0.705</td>
<td>0.517</td>
<td>0.44</td>
<td>0.344</td>
<td>0.892</td>
<td>0.701</td>
</tr>
</tbody>
</table>
- Total imports of Cartrn into Egypt increased by only 3% - Trade Creation

- Decrease in imports tariff on Cartrn from EU leads to Trade diversion from USA (-17%) to EU (26%).

- Pms ("Cartrn", "EU", "Egypt") declines by 16.6% and does for the other regions but slightly as a result of tms and CIF changes.

- EU share in Egyptian cars market moves from 15% to 29%.

- ESBM is high and nearly double ESBD.
Qo(cartrn, Egypt) = -1.37%, Pim(cartrn, Egypt) = -6.12

but Price of CGDS increased and:

- Output in construction = 0.46
- Output in Trncomvs ... = 0.58
- Output in CGSDS .......... = 0.53
Transferring endowment from inefficient sectors to efficient ones do positively impact the welfare.

Closures do matter in changing the results in a GE model.

Using a GE model added value to the analysis of interrelations between different regions and sectors.
Thank You!