

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

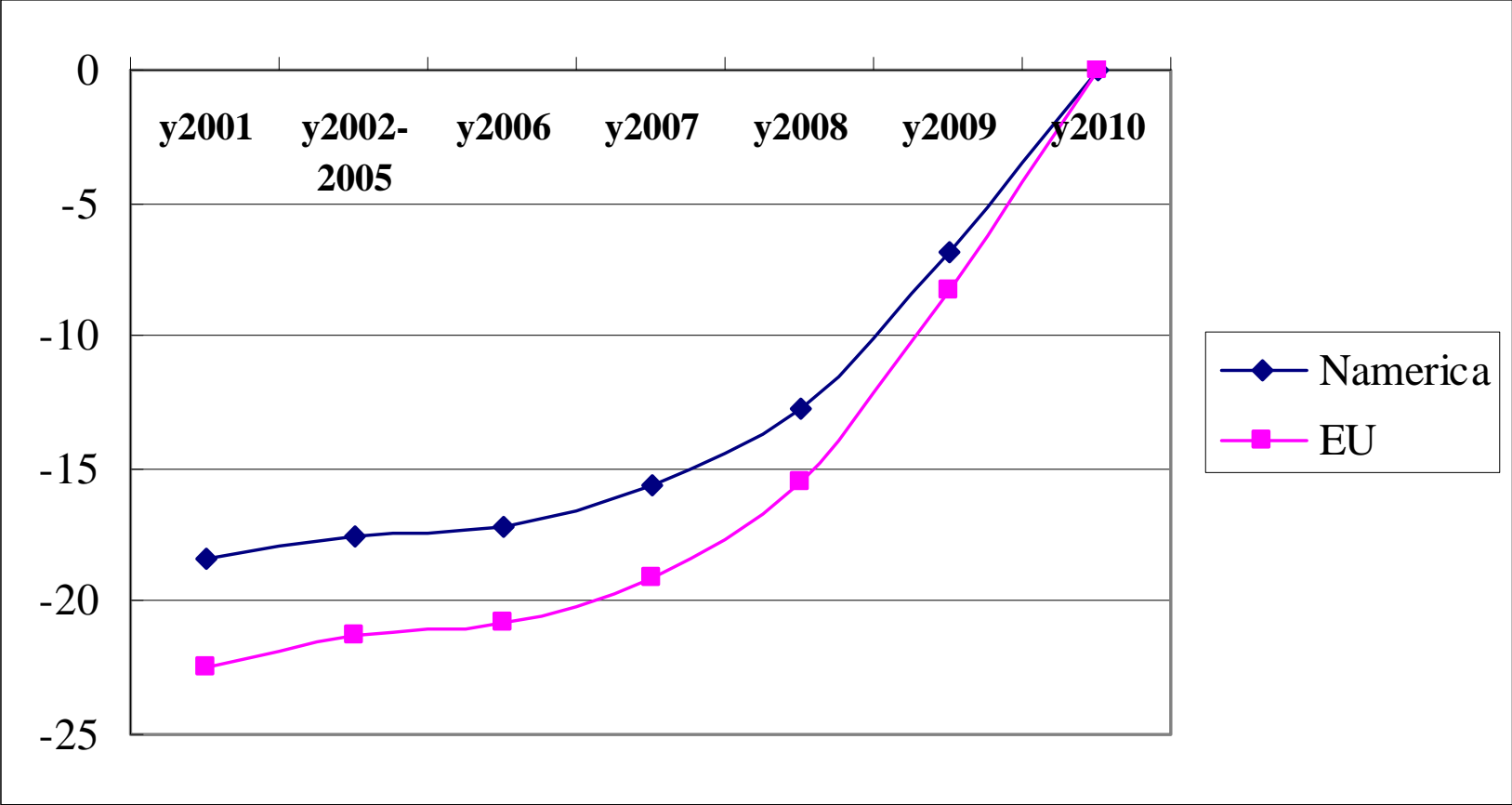
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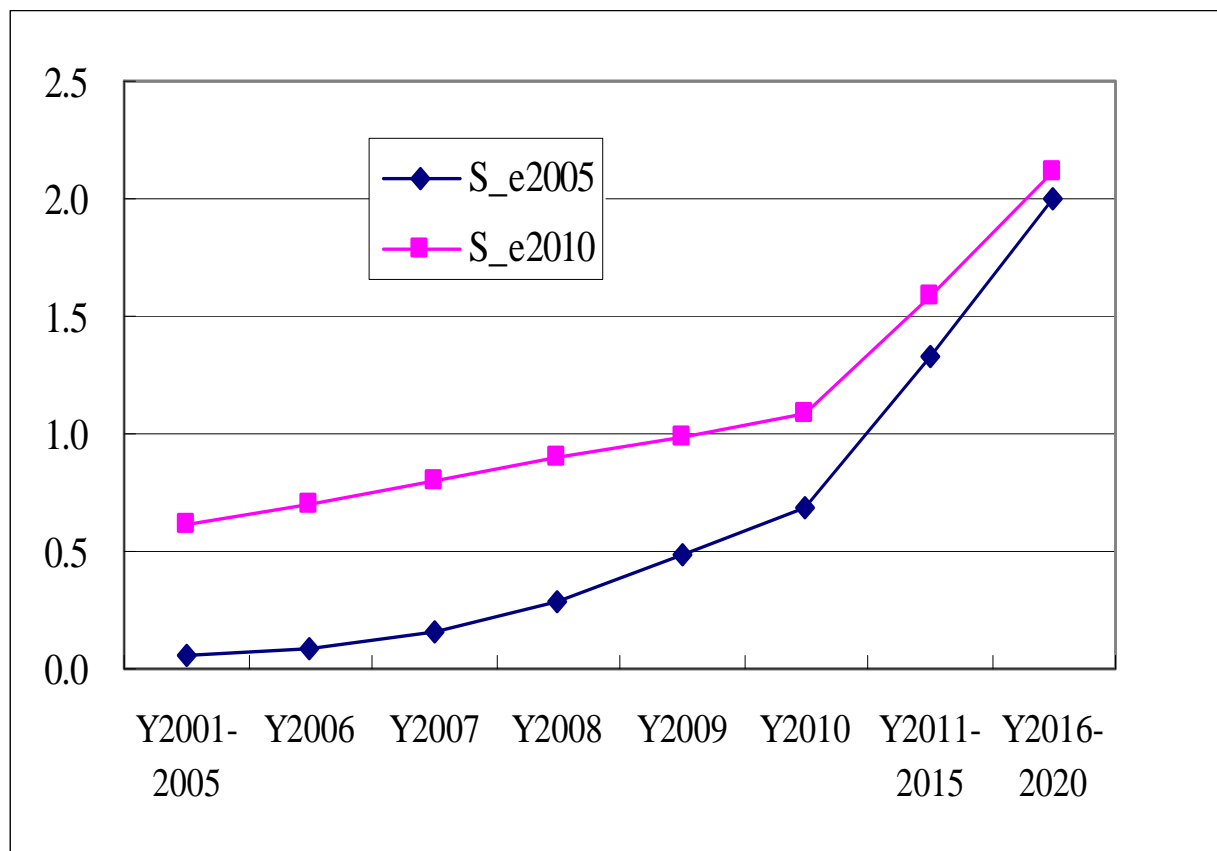
Brief background and Scenarios



The change of China real GDP growth

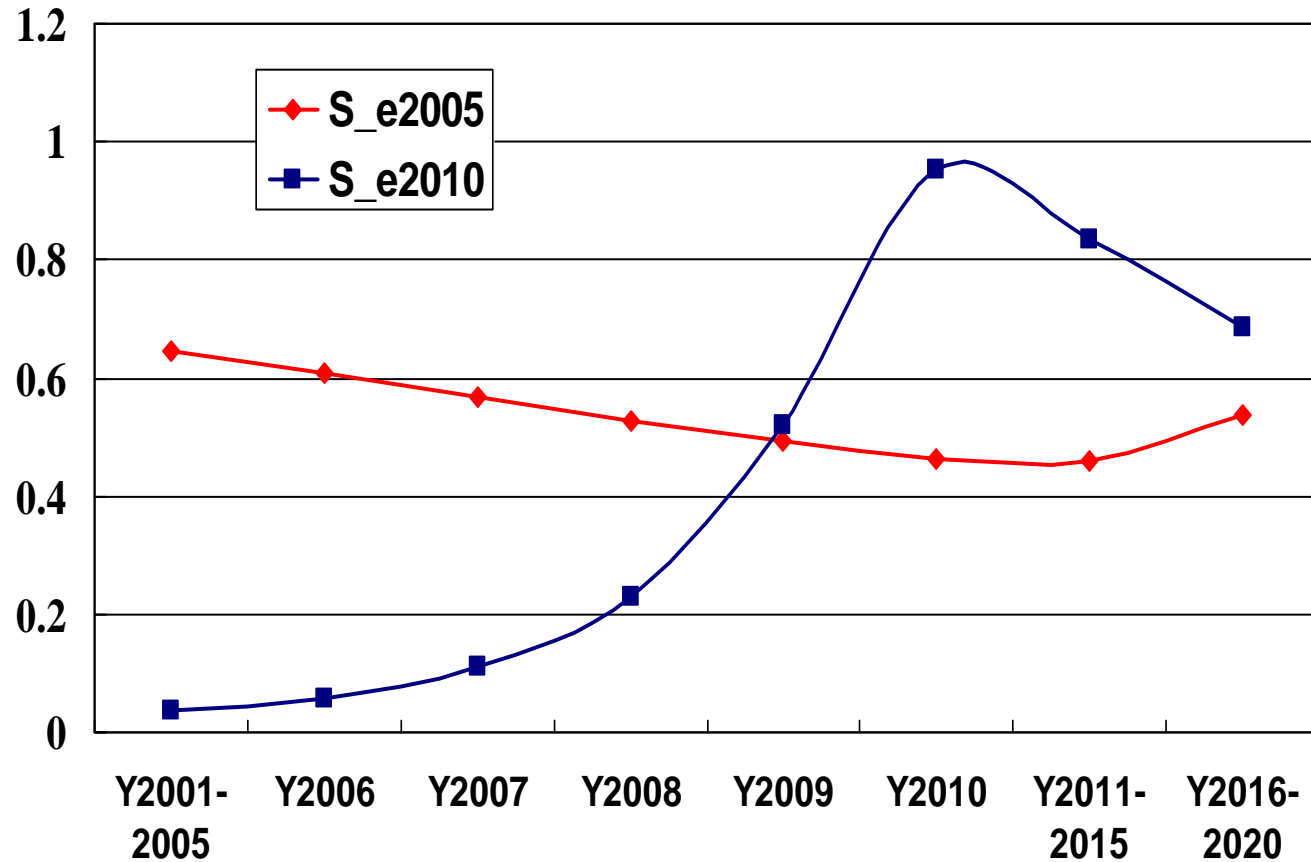
(Cumulative Difference to baseline, %)

Finding: It does matter to China's real GDP growth, especially for the beginning of several year. However, such a disparity will be eliminated gradually and the cumulative growth to baseline will converge around 2020.



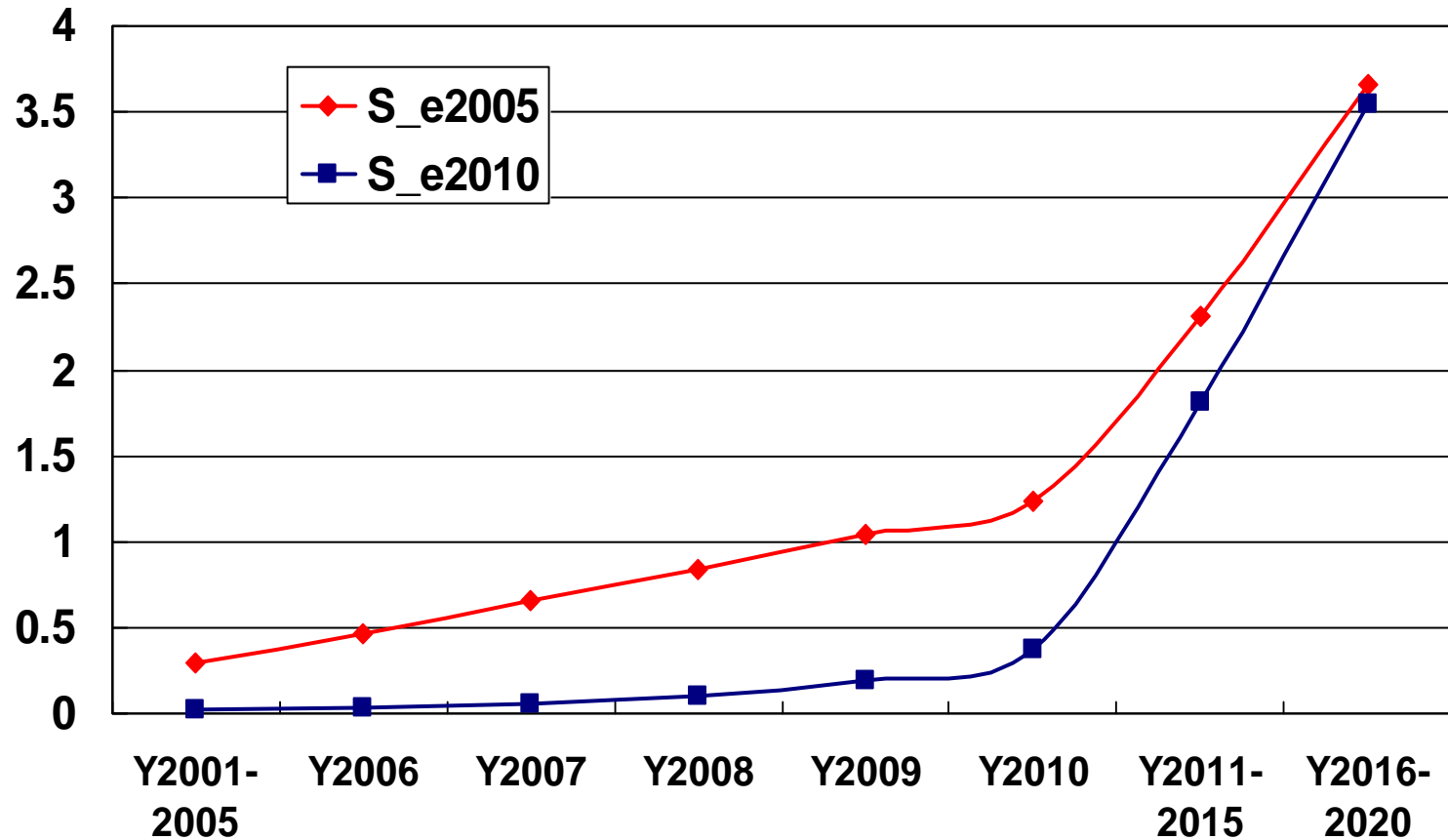
RORGA – Actual Return on Capital

(Cumulative Difference to baseline, %)



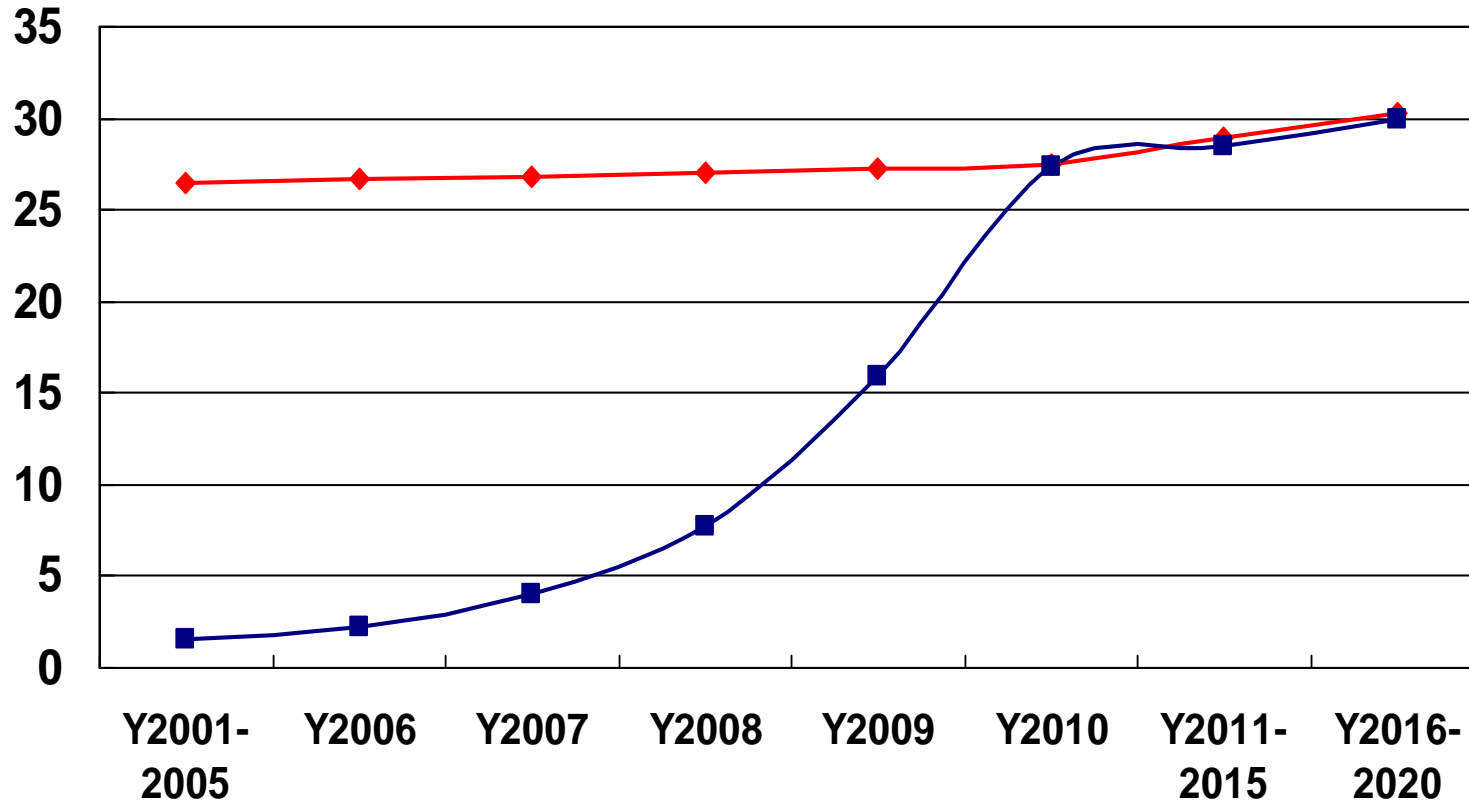
Change in Capital

(Cumulative Difference to baseline, %)



Change in Employment

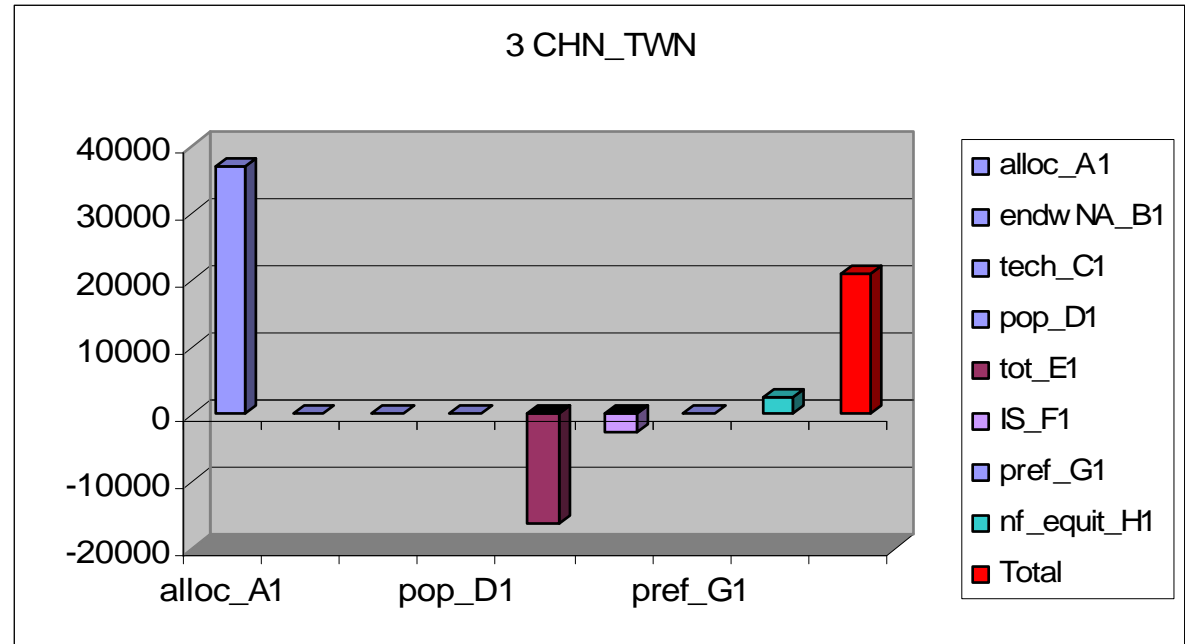
(Cumulative Difference to baseline, %)



—◆— S_e2005 —■— S_e2010

Welfare Decomposition

	3 CHN_TWN
alloc_A1	37205
endwNA_B1	0
tech_C1	0
pop_D1	0
tot_E1	-16115
IS_F1	-2640
pref_G1	0
nf_equit_H1	2769
Total	21219



Welfare Decomposition

- **The total contribution to regional EV of allocative effects**

$$\text{CNTalleffir}(i,r) = [0.01 * \text{EVSCALFACT}(r)] * [\text{PTAX}(i,r) * [\text{qo}(i,r) - \text{pop}(r)] + \text{sum}(j, \text{PROD_COMM}, \text{ETAX}(i,j,r) * [\text{qfe}(i,j,r) - \text{pop}(r)])];$$

$$\begin{aligned} \text{CNTalleffir}(i,r) = & [0.01 * \text{EVSCALFACT}(r)] * [\text{PTAX}(i,r) * [\text{qo}(i,r) - \text{pop}(r)] \\ & + \text{sum}(j, \text{PROD_COMM}, \text{IFTAX}(i,j,r) * [\text{qfm}(i,j,r) - \text{pop}(r)]) \\ & + \text{sum}(j, \text{PROD_COMM}, \text{DFTAX}(i,j,r) * [\text{qfd}(i,j,r) - \text{pop}(r)]) + \text{IPTAX}(i,r) * [\text{qpm}(i,r) - \text{pop}(r)] \\ & + \text{DPTAX}(i,r) * [\text{qpd}(i,r) - \text{pop}(r)] + \text{IGTAX}(i,r) * [\text{qgm}(i,r) - \text{pop}(r)] \\ & + \text{DGTAX}(i,r) * [\text{qgd}(i,r) - \text{pop}(r)] + \text{sum}(s, \text{REG}, \text{XTAXD}(i,r,s) * [\text{qxs}(i,r,s) - \text{pop}(r)]) \\ & + \text{sum}(s, \text{REG}, \text{MTAX}(i,s,r) * [\text{qxs}(i,s,r) - \text{pop}(r)])]; \end{aligned}$$

R019	3 CHN_TWN
1 Land	-0.13
2 UnSkLab	-7.5
3 SkLab	6.51
4 Capital	713.36
5 NatRes	0
Total	699.23

R018	3 CHN_TWN
1 grains	1221.86
2 food	3012.87
3 extract	-144.66
4 tex	30679.29
5 mnfc	190.61
6 serv	1547.02
Total	36506.98

Welfare Decomposition

- **The terms of trade effect on regional EV**

$$\begin{aligned} \text{CNTtotr}(r) = & [0.01 * \text{EVSCALFACT}(r)] \\ & * [\text{sum}(i, \text{TRAD_COMM}, \text{sum}(s, \text{REG}, \text{VXWD}(i, r, s) * [\text{pfob}(i, r, s)])) \\ & + \text{sum}(m, \text{MARG_COMM}, \text{VST}(m, r) * [\text{pm}(m, r)]) \\ & - \text{sum}(i, \text{TRAD_COMM}, \text{sum}(s, \text{REG}, \text{VXWD}(i, s, r) * [\text{pfob}(i, s, r)])) \\ & - \text{sum}(m, \text{MARG_COMM}, \text{VTMD}(m, r) * [\text{pt}(m)])]; \end{aligned}$$

Since $\text{tot}(r) = \text{psw}(r) - \text{pdw}(r) \Rightarrow \text{psw}(r) < \text{pdw}(r)$

- **Capital goods price effect on regional EV**

$$\text{CNTcgdsr}(r) = [0.01 * \text{EVSCALFACT}(r)] * [\text{NETINV}(r) * [\text{pcgds}(r)] - \text{SAVE}(r) * [\text{psave}(r)]];$$

$\text{pcgds}(r)$ and $\text{psave}(r)$ increase, but the change in the second term is larger.

- **The contribution to regional EV of changes in financial equity owned by regions**

$$\begin{aligned} \text{CNTfeqyr}(r) = & [0.01 * \text{EVSCALFACT}(r)] * [\text{sum}(i, \text{ENDWC_COMM}, \text{VOA}(i, r) * [\text{qk}(r) - \text{pop}(r)]) \\ & - \text{VDEP}(r) * [\text{qk}(r) - \text{pop}(r)] + \text{YQHTRUST}(r) * [\text{yqht}(r) - \text{pop}(r)] - \text{YQTFIRM}(r) * [\text{yqtf}(r) - \text{pop}(r)]]; \end{aligned}$$

*Household income from equity in the global trust, $\text{yqht}(r)$, decreases
Global trust income from equity in firms in region r , $\text{yqtf}(r)$, 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!!!**