

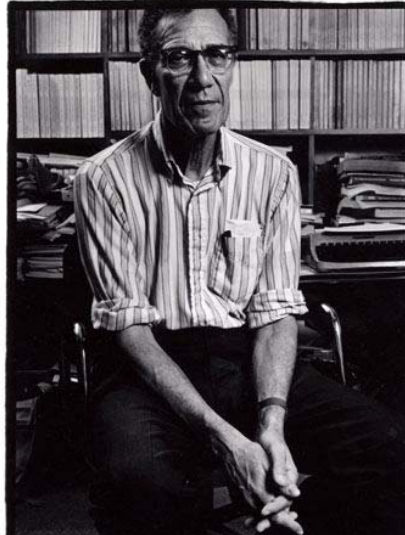
# **TRADE & POVERTY GROUP**

**2008 GTAP Short Course**

**8-8-08**

# *Trade and Poverty*

*The valiant team led by.....*



**Roman Keeney**



**Tasneem Mirza**



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# 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

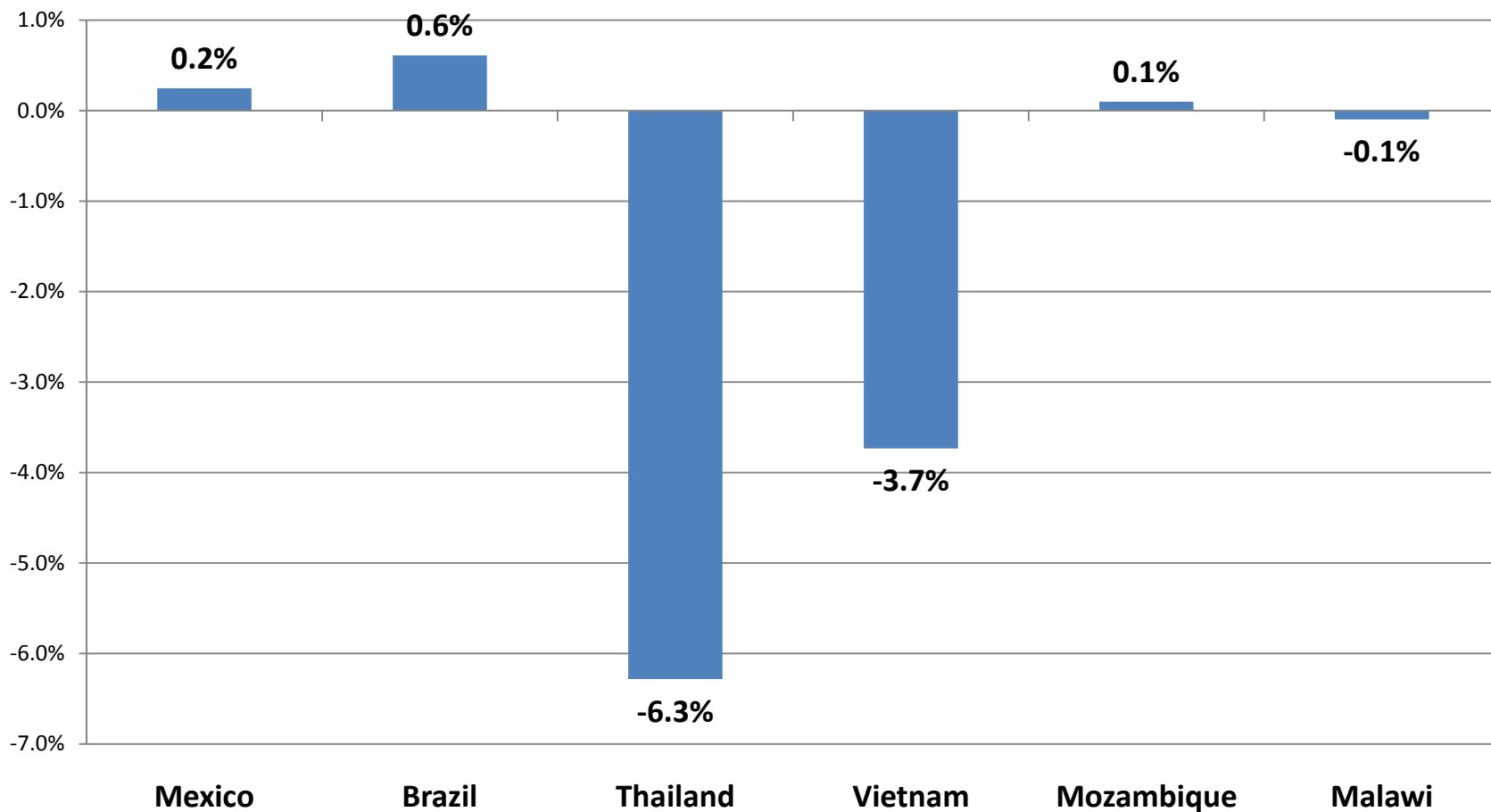
## Complete trade liberalization

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)



# Poverty Decomposition

(level changes)

	Brazil	Thailand
Earnings	-561,000	-117,000
Taxes	442,000	107,000
Cost of Living	258,000	-65,000
<b>Total</b>	<b>140,000</b>	<b>-74,000</b>

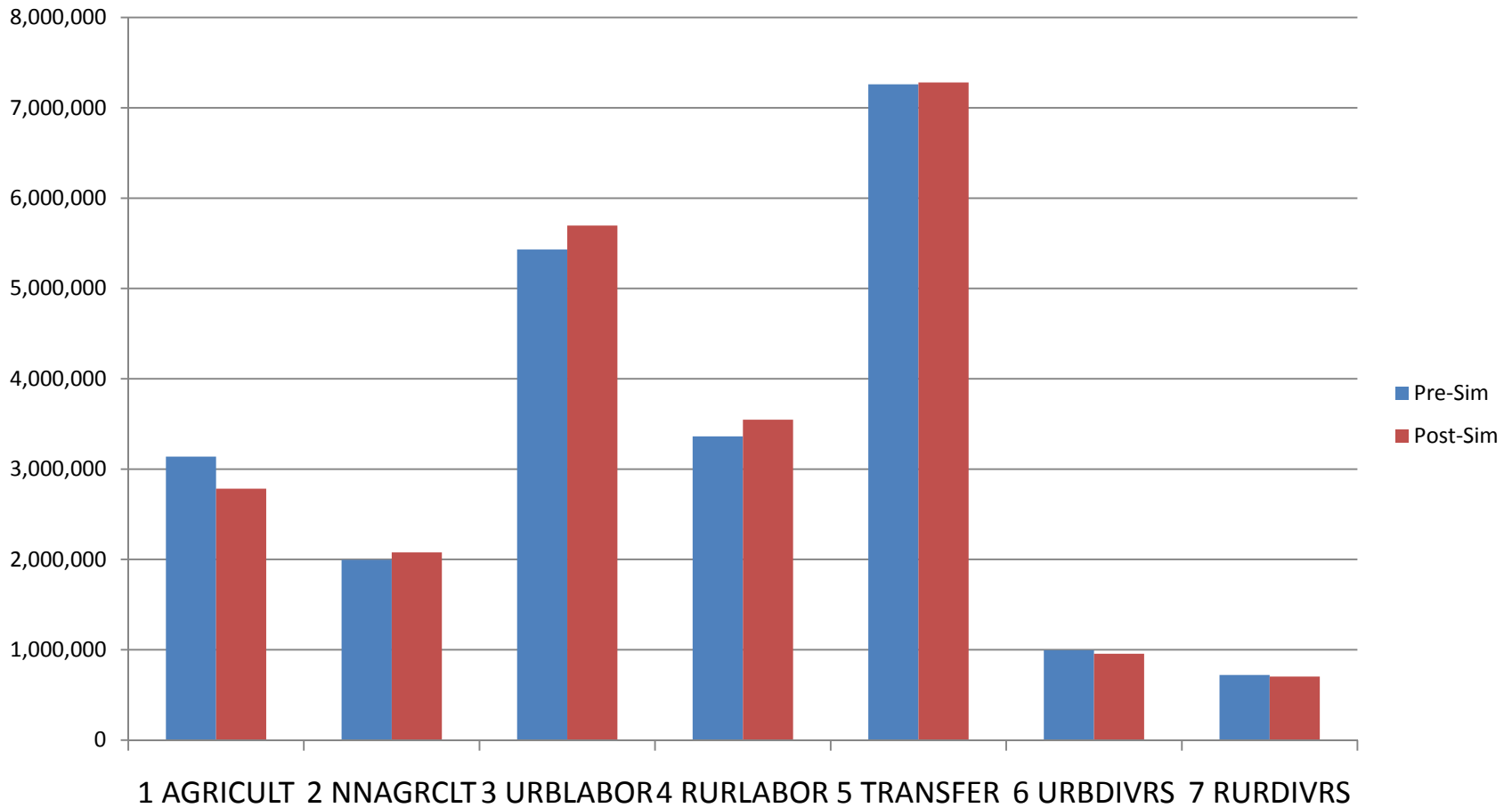
(percent of total impoverished)

	Brazil	Thailand
Earnings	-2.4%	-9.9%
Taxes	1.9%	9.1%
Cost of Living	1.1%	-5.5%
<b>Total</b>	<b>0.6%</b>	<b>-6.3%</b>



# Who are the Poor?

## BRAZIL

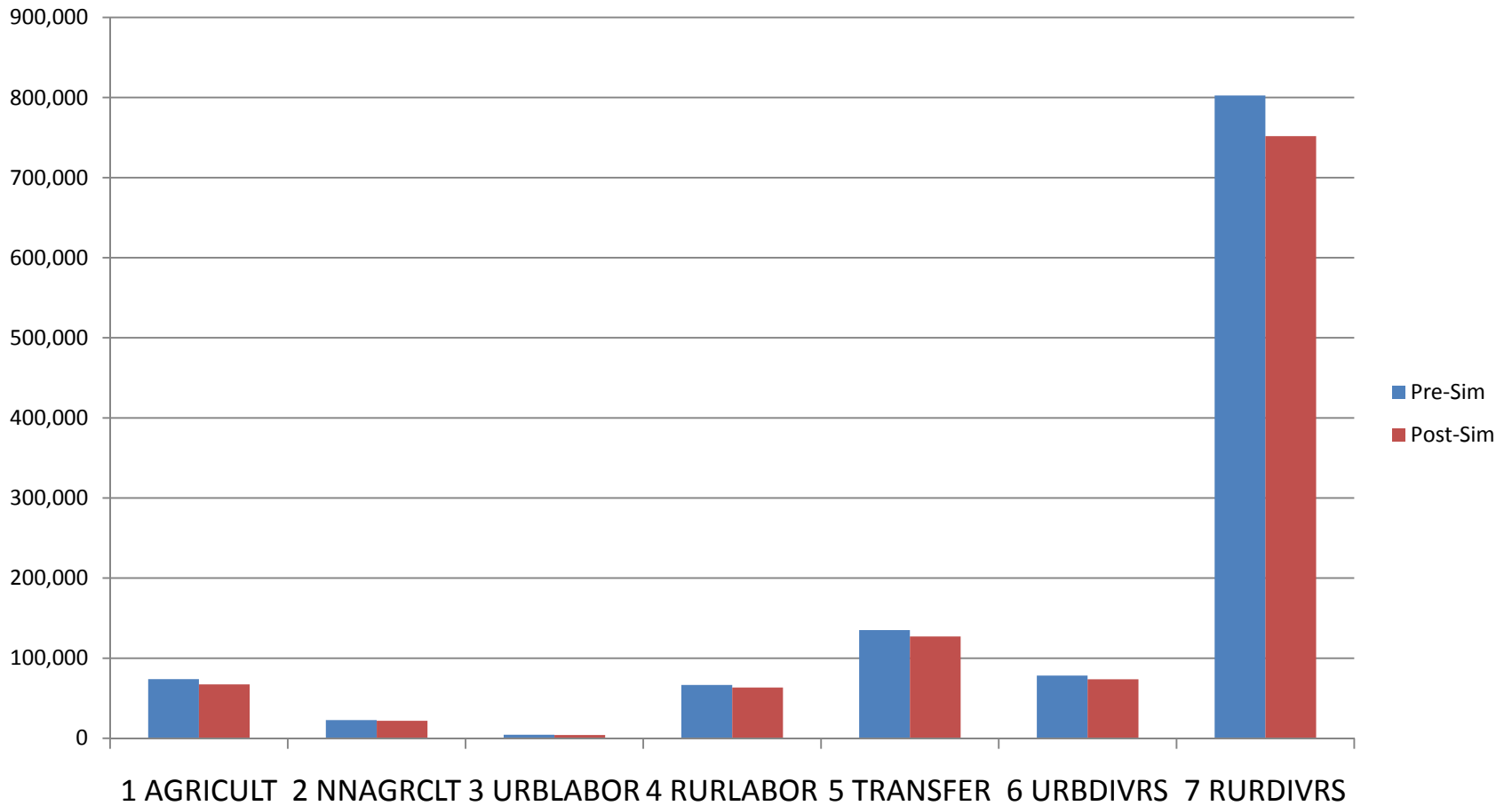


# Why?

- 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



# 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.