Doha & Egypt

Presented by:
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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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8/10/2008

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Experiment Description

Version: "**Egypt**" **with same aggregation and Tariffs data updated to 2004 using Altertax.**

Closure: **GE Standard closure + Unemployment in Egypt**

swap qo("Unsklab", "Egypt") = pfactreal("Unsklab", "Egypt");

Current unemployment in Egypt is about 11%

Shock: **Calculate power of tax using Valerie tool**

Shock tms("cartrn","EU","Egypt") = -16.58%;

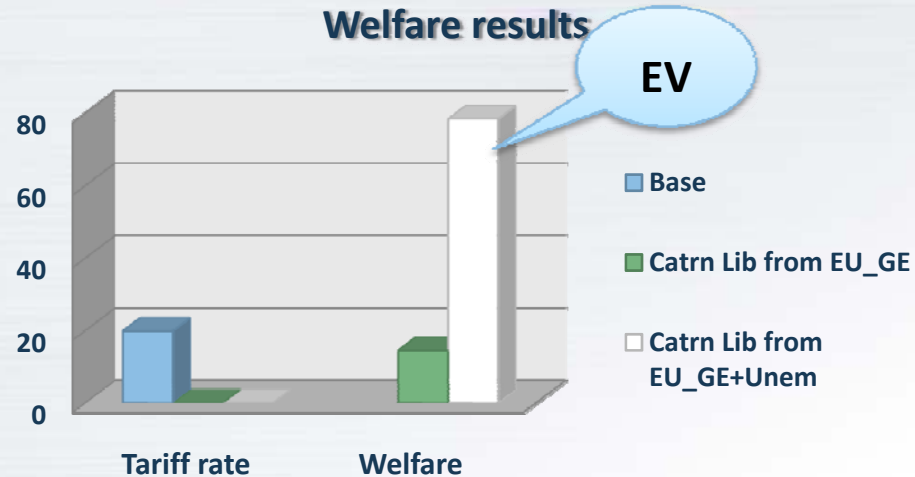*To get: tm ("cartrn","EU","Egypt") = 0*
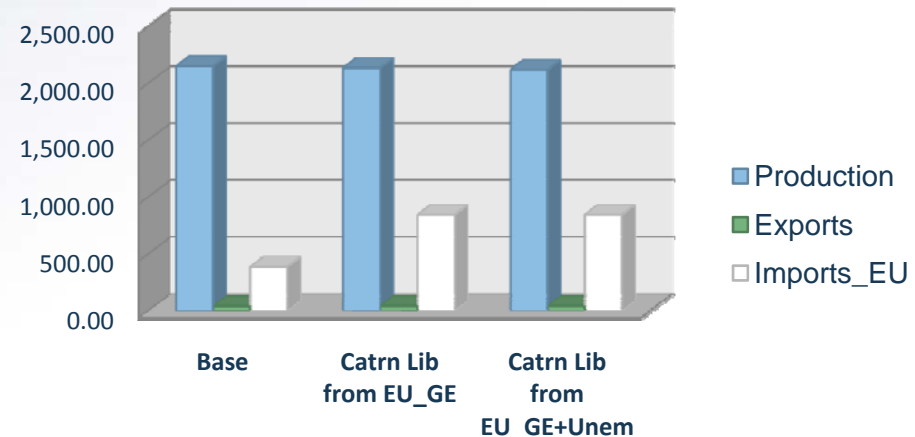
Finally   **Solve**

Results

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 results

EV

	Base
	Catrn Lib from EU_GE
	Catrn Lib from EU_GE+Unem

80
60
40
20
0

Tariff rate   Welfare

Cartrn Production & trade flows

2,500.00
2,000.00
1,500.00
1,000.00
500.00
0.00

Base   Catrn Lib from EU_GE   Catrn Lib from EU_GE+Unem

- Production
- Exports
- Imports_EU

Welfare Decomposition

	Allocative Efficiency	Endowment	Technology	population	Terms of Trade	I & S Prices	Preferences	Total
WELFARE	6.85	74.65	0	0	-6.92	3.78	0	78.37

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**
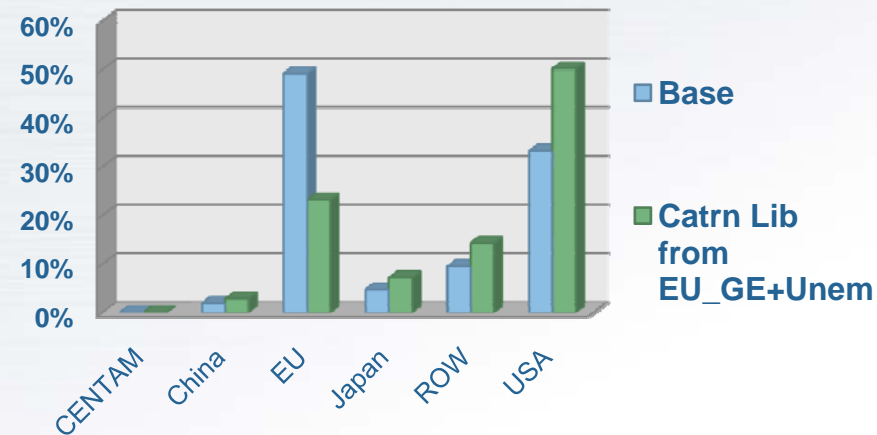
Expansion effect

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

Substitution effect

Qfe Decomposition	cartrn	Con	Lmf	Min	pfbev	Trncomsvc	CGDS
1 e1_afe	0	0	0	0	0	0	0
2 qva	-1.372	0.458	0.296	0.215	0.078	0.578	0.528
3 e1_ESUBVA	0.321	0.247	0.221	0.225	0.266	0.314	0.174
Total	-1.051	0.705	0.517	0.44	0.344	0.892	0.701

Imports shares

- **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.**

Cartrn Imports into Egypt (shares)

Legend: ■ Base   ■ Catrn Lib from EU_GE+Unem

X-axis: CENTAM, China, EU, Japan, ROW, USA
Y-axis: 0% to 60%

Puzzle

- **Qo(cartrn, Egypt) = -1.37% , Pim(cartrn, Egypt) = -6.12**

  but Price of CGDS increased and :

  - **Output in construction = 0.46**

  - **Output in Trncomsvs … = 0.58**

  - **Output in CGSDS ………. = 0.53**

Conclusions

- **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 !