

The Commission has continued to make use of GTAP products and other CGE tools (Monash model of the Australian economy and regional model of Australia, MMRF) in support of its research agenda in trade.

GTAP Use

GTAP was used in the report on Eliminating tariffs on goods produced in least developed countries. The report was influential in giving the Government the confidence it required to implement modify the Australian System of Tariff Preferences in July 2003. In a way, it complements the report on the same topic prepared by Bijit Bora and colleagues at UNCTAD.

The application required inserting the current preferential rates on imports from LDCs, assessing the impact of using different trade elasticities, and developing a post-simulation solution method to estimate the order of magnitude of changes in exports to Australia by countries that are part of a GTAP aggregate.

GTAP was also used by other organizations in Australia in connection with the Commission's work (for example, consulting firms acting for industry groups in the inquiry reviewing assistance to the textiles clothing and footwear industries).

Parameter Issues

In the context of the TCF inquiry, the standard trade parameters supplied with GTAP (and with the Monash model of the Australian economy) received quite a bit of scrutiny. With relatively small initial tariffs, the allocative gains from reducing them are small and terms of trade effects from the current parameter values tend to dominate the results (Bora faced this problem too). Researchers at the Commission are investigating possible new values that are differentiated by country.

Publications

Productivity Commission, 2002. Eliminating tariffs on goods produced in least developed countries. Canberra.

Two articles by George Verikios and Xiao-guang Zhang are due to appear in World Economy and in Journal of Development Studies in 2003. Both articles are based on the FTAP development work and deal with the gains from liberalisation in banking and in telecommunications.

Planned activities of relevance to GTAP for 2003-04

Complete a new FTAP database

The database will be more disaggregated than the previous one (48 countries and regions, 19 industries or sectors); this disaggregation is limited by the source data.

Develop work on market access for goods trade

Measure barriers to education and develop measures of assistance for the arts and sports for the annual Trade and assistance review (one of the Commission's core responsibilities, to be published in November 2003).

Organize with the USITC the APEC Capacity-Building Workshop on Quantitative Methods for Assessing NTMs and Trade Facilitation, October 8-10, 2003 in Bangkok.

The workshop is designed to improve quantitative techniques for assessing trade policies other than tariffs. The workshop will provide participants with hands-on access to tools and databases used in analyzing NTMs. Some funding is available for participants from certain APEC economies and for persons with significant expertise in the area. Details available at the Commission's Web site: www.pc.gov.au/news/ .