

## 2006 Agency Reports

### Inter-American Development Bank (IDB)

By

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The Inter-American Development Bank (IDB) is committed to support regional integration in Latin America and the Caribbean as one of the four pillars of its institutional strategy.

To assist member countries in this task, the Integration and Regional Programs Department (IDB-INT) is developing analytical instruments, preparing studies on the economic and social impact on trade liberalisation and regional integration, promoting policy dialogue and civil outreach initiatives and providing regional technical assistance programs.

IDB-INT is strengthening the analytical capacity of member countries to evaluate the potential impact of trade liberalisation and regional integration, including through the support and dissemination of CGE model applications and the improvement of the underlying databases. This is a centrepiece of the Bank's regional integration strategy.

Currently, the IDB-INT is involved in the following activities:

#### **Impact of Trade Policy Options on Poverty in the Andean Region**

The objectives are to carry out policy analysis in the area of trade and poverty in order to: (i) analyze the impact of trade policy options; (ii) contribute to identify innovative policy options; and (iii) reinforce the existing INT CGE model with new components dealing with poverty module. The targets are the Andean countries (Bolivia, Colombia, Ecuador, Peru and Venezuela).

#### **An Evaluation of Multilateral Agriculture Liberalization**

The objective is to analyze the impact of agricultural liberalization from the viewpoint of Latin America. The analysis is carried out for the three pillars of the WTO's Agreement on Agriculture: market access, domestic support and export competition. Tariffs, beyond *ad valorem* protection, includes *ad valorem* equivalents of specific, mixed tariffs and TRQs. Domestic support are elaborated, using the OECD PSE data, reconciling with WTO "boxes". Export subsidies are updated using WTO notifications. The model incorporates key agricultural sectors and commodities particularly in processed foods in view of tariff escalation. The analysis identifies key agricultural countries and incorporate subregions in Latin America.

#### **An overall assessment of the Doha Round**

As an extension of the Agricultural project, it is planned to carry out an analysis of the results of the overall Doha Round, including Non-agricultural market access (NAMA) and Service liberalisation. This extension will allow to have a detailed assessment of the welfare impact following the lifting of Latin American protection, particularly in industrial products. Currently, an updating in tariff for NAMA is being performed.

### **A regional CGE model for Mercosur**

The Mercosur CGE model, called the AMIDA (Analyzing Mercosur's Integration Decisions and Agreements), built on possibly the best available database, was successfully developed. One key aspect of the AMIDA model is the non competitive behaviour modelled in some sectors. This treatment allows, for example, to compute short and long run solutions allowing the number of firms to be endogenous. The project is to be completed with: (i) on-site training in CGE modelling, applications and data construction for country officials, and (ii) regional workshops or seminars to present and disseminate the results of project, inviting policymakers, government officials, business community and academic groups.

### **An expansion of the IDB-INT model to assess CAFTA**

The standard IDB-INT CGE model was elaborated to accommodate different households and labour categories in Central America. In the meantime, the model structure was also revised to correctly capture maquila, off-shore plant for textiles and apparel, the most important economic activities in the subregion. Protection data on maquila was also carefully updated both for the United States and Central America. The model was constructed on the basis of the IDB-INT database for non-Central American partners, while the SAMs of Central America will be supplied from CEPAL and IFPRI, which are working with IDB-INT in the execution of the project.

### **Strengthening of CGE-related capacity-building activities**

IDB-INT's CGE-related capacity-building activities are framed by Cooperation Agreements with LAC Countries and Sub-regions. IDB-INT subscribed Cooperation Agreements with the Andean Secretariat, 3 Andean countries (Colombia, Ecuador, and Peru) and 5 Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua). The key objectives are: (i) to assist in constructing or to improve CGE models for individual countries to carry out in-house trade policy analysis; (ii) to improve database and share it as public goods; and (iii) to exchange ideas and information to strengthen CGE activities in Latin America.

### **Presentations**

Masakazu Watanuki, September 2005, "CGE Modeling and Related Work at the IDB", at the REDIMA II Work-group Meeting on Modeling, Input-Output matrices and Fiscal Harmonization, organized by the ECLAC, Santiago, Chile.

Masakazu Watanuki, November 2005, "Regional Integration in the Americas: Lessons and Implications to Asia", at the Experts' Group Workshop on "Long Term Scenarios of Asia's Growth and Trade", organized by the Asian Development Bank, Manila, Philippines.

### **Publications and Reports**

Flôres, Renato G. Jr., and M. Watanuki, (2005) "Technical Manual of the IDB-INT AMIDA CGE Model: Overview, Description, Calibration, SAMs and Operation", IDB, Washington, DC.

Flôres, Renato G. Jr., and M. Watanuki, (2006) "Integration Options for a Southern Bloc: Development and Competitiveness Issues", World Development, (under process).

Giordano, P. and Quevedo, F. (2006) "Apertura e Inserción Internacional en la Estrategia de Desarrollo de Uruguay", INTAL Discussion Paper, IDB, Washington, DC.