

Effects of Sectoral Trade Liberalization on Agricultural Poverty Strata in selected developing economies

Presented by

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Introduction

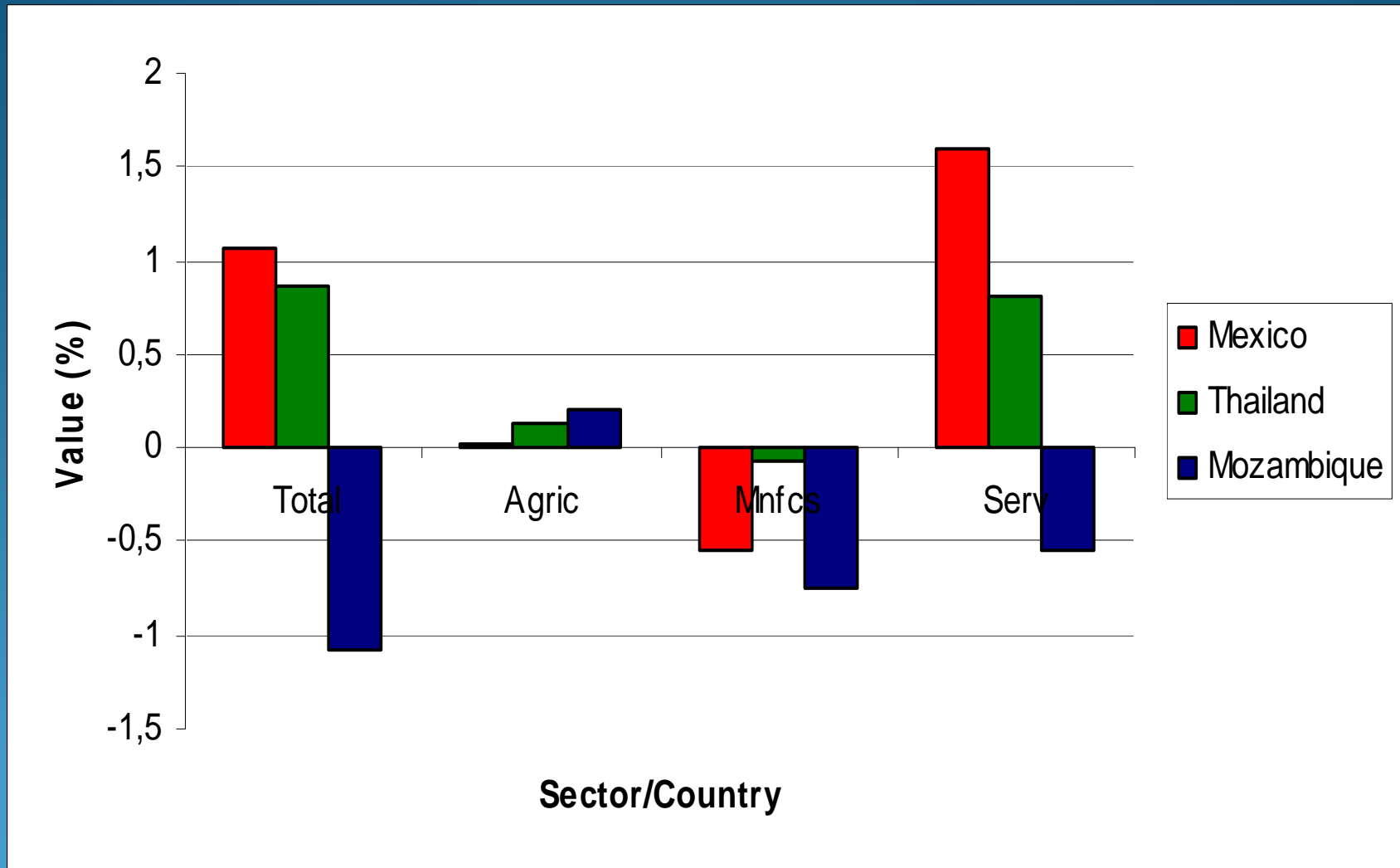
- Trade liberalization expected to have effects on Welfare & Poverty in Developing Countries
- Motivation is to decompose the Poverty Effects of Sectoral Trade Liberalization (Agriculture, Manufacturing & Services) on Agricultural Poverty Strata

ToT Effects

Mexico & Mozambique have negative ToT Effects due to their weak exporting power



Impact on Utility



Sectoral Impacts on Agricultural Poverty Strata

	Mexico	Thailand	Mozambique
Agriculture	0,023	0,009	0,005
Manufacture	0,023	0,009	0,005
Services	0,044	0,006	-0,001

Poverty decomposition by Country

$$\hat{H}_r = \sum_s \beta_{rs} \varepsilon_{rs} \sum_j \alpha_{rsj}^p \left(\underbrace{\hat{W}_{rj}^m - \hat{y}_r}_{\text{earnings}} \right) + \varepsilon_r \underbrace{\hat{T}_r}_{\text{taxes}} - \varepsilon_r \left(\underbrace{\hat{C}_r^p - \hat{y}_r}_{\text{cost of living}} \right)$$

POVERTY
DRIVERS



Poverty Decomposition –

Agricultural Trade Liberalization on Agricultural Strata (level Chg, millions)

	Mexico	Thailand	Mozambique
Earnings	0,047	-0,002	-0,004
Taxes	-0,001	0	0,001
Cost of Living	-0,004	-0,001	-0,001
Total	0,042	-0,002	-0,004

Poverty Decomposition – Manufacturing Trade Liberalization on Agricultural Strata (level Chg, millions)

	Mexico	Thailand	Mozambique
Earnings	-0,011	-0,002	-0,013
Taxes	0,029	0,011	0,015
Cost of Living	0,005	0,000	0,003
Total	0,023	0,009	0,005

Poverty Decomposition -

Services Trade Liberalization on Agricultural Strata (level Chg, millions)

	Mexico	Thailand	Mozambique
Earnings	-0,024	-0,003	-0,009
Taxes	0,066	0,01	0,005
Cost of Living	0,002	0	0,002
Total	0,044	0,006	-0,001

Drivers of Poverty Change in Agricultural Trade Liberalization

	Mexico	Thailand	Mozambique
Land	-11,282	1,692	0,814
Ag-Unskilled	-5,886	0,892	0,431
Ag-Skilled	-5,589	0,78	0,349
Nag-Unskilled	-0,258	0,068	-0,01
Nag-Skilled	-0,158	-0,003	-0,049
Wage-Unskilled	-0,805	0,22	0,118
Wage Skilled	-0,179	-0,003	-0,045
Ag-Capital	-4,933	0,227	0,321
Nag-Capital	-0,051	0,004	-0,047
Transfer	-0,339	-0,114	-0,063
Taxes	0,173	-0,231	-0,115
Cost of Living	-0,813	-0,712	-0,231

Drivers of Poverty Change in Services Liberalization

	Mexico	Thailand	Mozambique
Land	-6,975	-4,033	-3,35
Ag-Unskilled	-2,879	-0,941	-3,544
Ag-Skilled	-3,382	-0,368	-4,175
Nag-Unskilled	1,867	3,039	-3,807
Nag-Skilled	0,37	3,508	-4,993
Wage-Unskilled	1,404	2,32	-3,731
Wage Skilled	0,355	3,506	-4,986
Ag-Capital	-1,894	-0,697	-3,834
Nag-Capital	3,597	3,552	-4,357
Transfer	-5,731	-3,145	-4,754
Taxes	-7,74	-5,847	-0,674
Cost of Living	-5,468	-3,429	-4,41

Drivers of Poverty Change in Manufacturing Trade Liberalization

	Mexico	Thailand	Mozambique
Land	-2,816	-2,774	-1,704
Ag-Unskilled	-1,039	1,375	-1,979
Ag-Skilled	-1,396	0,813	-1,349
Nag-Unskilled	1,154	7,119	-2,236
Nag-Skilled	0,218	4,912	-0,896
Wage-Unskilled	0,939	6,084	-2,161
Wage Skilled	0,212	4,911	-0,9
Ag-Capital	-1,103	0,192	-1,797
Nag-Capital	1,207	7,249	-1,713
Transfer	-2,343	-0,268	-3,734
Taxes	-3,414	-6,545	-2,052
Cost of Living	-1,791	-0,467	-3,307

Conclusions

- Overall Results indicate that Trade Liberalization have negative effects on Poverty across all sectors
Exception for Mozambique in Services
- Poverty decomposition reveals different contribution of earnings, taxes & cost of living across sectors
- Earnings by factor incomes also gives important insights about the impact of sectoral trade liberalization