



CENTER FOR GLOBAL TRADE ANALYSIS NEWSLETTER

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CONTENTS:

1. Center News
2. Consortium News
3. Research Highlights
4. Short Courses
5. Conferences
6. Data Base Developments
7. New Resources on the GTAP website
8. Contact Information

Current and back issues of the GTAP newsletter are available online at:

<http://www.gtap.org/about/newsletters.asp>.

MISSION STATEMENT:

The Center for Global Trade Analysis is the publicly funded, university-based home for GTAP (Global Trade Analysis Project), a global network of researchers and policy makers conducting quantitative analysis of international policy issues. Our purpose is to improve the quality of global economy-wide analysis through education and by developing analytical data bases, economic models, and innovative methodologies. Our unique institutional structure enables us to foster collaboration among academia, public sector, and private sectors worldwide.

1. CENTER NEWS

Visitors

In September, 2007, Rod Tyers, visiting from the Australian National University, presented in the GTAP Seminar Series. His seminar was titled “The Global Economic Effects of Freer Skilled Migration” and provided excellent insight into his work.

Staff Travel

In October, 2007, Thomas Hertel travelled to The Hague, The Netherlands to present “The Biofuels Boom: Implications for World Food Markets” at the Food Economy Conference which was jointly sponsored by the OECD and the Dutch Ministry of Agriculture. For further details on this paper, please see the “Research Highlights” section below.

Staff Publications

Narayanan, G. Badri (2007), 'Effect of mergers on firm profits with trade liberalization: the role of technology', *Applied Economics Letters*, 14:8, 607 - 610

2. CONSORTIUM NEWS

The GTAP Advisory Board is composed of representatives from consortium member agencies that provide financial support and guidance to the project.

Board Member Update

At the 2006 board meeting, Alan Powell retired from his position as member at large of the GTAP Advisory Board, leaving Joe Francois as the sole member at large to represent the academic community. Since a second member at large was needed, Richard Tol from ESRI was approached. The Center strongly feels that Richard will be a strong representative, particularly on issues related to the environment and he has continued to be a strong supporter of GTAP since being invited to speak the 8th Annual Conference in Germany. We look forward to collaborating with Richard in the future.

2008 GTAP Advisory Board Meeting

The next GTAP Advisory Board meeting will be held from June 9-10, 2008 in Helsinki, Finland.

More information about the GTAP Advisory Board meeting is available at:

http://www.gtap.org/events/Board_Meetings/default.asp.

3. RESEARCH HIGHLIGHTS

The Biofuels Boom: Implications for World Food Markets

by Dileep K. Birur, Thomas W. Hertel*, Wallace E. Tyner

Center for Global Trade Analysis, Department of Agricultural Economics, Purdue University

Paper prepared for presentation at the Food Economy Conference Sponsored by the Dutch Ministry of Agriculture, The Hague, October 18-19, 2007

This paper evaluates the impact of the current biofuels boom on world food markets. We begin with an analysis of the origins of the recent bio-fuel boom – from a US perspective. We conclude this section by predicting a slowing of the ethanol boom in the US, as production satiates the high-value demand for ethanol as an additive so that future growth hinges of its ability to substitute for petroleum

products on an energy equivalent basis. This transition is reflected in the elimination of the price premium for ethanol, the price of which has dropped sharply in recent months. This, combined with higher corn prices, has served to curtail most plans for new ethanol capacity – at least for the present.

Our prospective analysis of the impacts of the biofuels boom on food markets focuses on the 2006-2010 time period, during which existing investments in the US, and new mandates in the EU are expected to substantially increase the share of agricultural products (e.g., corn in the US, oilseeds in the EU and sugar in Brazil) utilized by the biofuels sector. In the US, this share could double from 2006 levels, while the share of oilseeds going to biodiesel in the EU could triple. We expect such expansion to lead to a doubling of US corn and EU oilseed prices, from 2006 levels, thereby sharply reducing exports, while boosting imports. In the EU, the majority of the new demand for oilseeds due to biodiesel expansion is met by imports, with EU oilseed import volume rising by more than \$4 billion.

These increases in biofuels demand in the US and EU have a profound impact on the pattern of global agricultural production and land use. Wheat and soybean acreage and production falls in the US, along with other crops, livestock and forestry land use. In the EU, acreage devoted to oilseeds rises by 21%. This reallocation of land use is rather similar in Canada and Brazil, where oilseeds production also responds strongly to higher world prices, as does coarse grains production in Canada, and sugarcane production in Brazil. This puts considerable pressure on agriculture and forest lands throughout the world. In Brazil, agriculture is expected to expand into forest lands – particularly in the most productive agro-ecological zones.

In addition to altering the global agricultural landscape, these developments in US and EU biofuels use have a significant impact on energy markets. Solely as a result of these “mandates”, the US trade balance for petroleum products improves by about \$6 billion. This is largely offset by a deterioration in the US agricultural trade balance. In the EU, the deterioration in the agricultural trade balance is much larger, but this is compensated for by a strong increase in the net exports of manufactures and services.

Overall, we conclude that current developments in the US and EU biofuels markets, including the European Commission’s 5.75% biofuel mandate, are likely to have significant, and lasting impacts on the global pattern of agricultural production and trade.

4. SHORT COURSES

Fifteenth Annual Short Course

The Center for Global Trade Analysis recently held the Fifteenth Annual Short Course in Global Trade Analysis on the campus of Purdue University from August 4-10, 2007.

In total, 33 individuals from 20 different countries participated in this course; all contributing to its astounding success.

More information on the Fifteenth Annual Short Course is available at:
http://www.gtap.org/events/Short_Courses/2007/default.asp.

Sixteenth Annual Short Course

The Center for Global Trade Analysis will hold the Sixteenth Annual Short Course in Global Trade Analysis on the campus of Purdue University from August 2-8, 2008.

The course will consist of two main parts:

Part I is a series of weekly, online modules aimed at increasing the familiarity of the course participants with the theory behind GTAP, the standard GTAP notation, and the course software.

Part II is an intensive, week-long course consisting of a mix of daily lectures, lab assignments, and informal discussions designed to introduce participants to the basic features of the model and GTAP Data Base.

Applications are currently being accepted through March 2, 2008. Participation in the course is strictly limited to 32 individuals. Previous courses have been over-booked; therefore, we strongly encourage early application. As a result of the high number of applications we have been receiving for this course, we now wait to review all applications until after the March 2 deadline. Final acceptance decisions will be made shortly thereafter. Please visit the URL listed below to apply.

More information on the Sixteenth Annual Short Course is available at:
http://www.gtap.org/events/Short_Courses/2008/default.asp.

2008 Dynamic Short Course

The Center for Global Trade Analysis will hold the 2008 Short Course in Dynamic Global Trade Analysis on the campus of Purdue University from October 10-15, 2008.

The objectives of this course are:

- To introduce participants to a dynamic model designed for conducting global trade analysis in an applied general equilibrium setting.
- To provide participants with ample hands-on training with software that has been tailored for undertaking analysis using a dynamic recursive model.
- To give participants the opportunity to interact with economists working on global trade and resource use issues using a dynamic modeling framework

Applications will be accepted starting in late 2007 through April 6, 2008. Participation in the course is strictly limited to 16 individuals. Previous courses have been over-booked; therefore, we strongly encourage early application. As a result of the high number of applications we have been receiving for this course, we now wait to review all applications until after the April 6 deadline. Final acceptance decisions will be made shortly thereafter. An announcement will be made on the GTAP-L mailing list and on the GTAP website when we begin accepting applications for this course.

More information on the 2008 Dynamic Short Course is available at:
https://www.gtap.org/events/Dynamic_Courses/2008/default.asp.

5. CONFERENCES

Eleventh Annual Conference

The Eleventh Annual Conference on Global Economic Analysis will be held at the Marina Congress Center in Helsinki, Finland from June 12-14, 2008. This conference is being jointly organized by the Government Institute for Economic Research (VATT), United Nations University / Wider Institute, and the Center for Global Trade Analysis.

The themes of the Eleventh Annual Conference are: globalization and economies in transition; development, poverty and vulnerability; energy and environment; and wealth, aging and income distribution.

Abstracts are currently being accepted on the GTAP website through January 15, 2008. Please visit the URL below to submit an abstract.

Registration for this conference will begin in January 2008.

Further information on this conference is available at:

<http://www.gtap.org/events/Conferences/2008/default.asp>.

6. DATA BASE DEVELOPMENTS

GTAP Africa Project

In collaboration with the Bank of Netherlands Partnership Program (BNPP), the World Bank, the European Commission and the UN Economic Commission for Africa, the Center is working on a special project to improve analysis of African trade issues. The GTAP Africa Project involves further disaggregation of the African regions in GTAP 6 Data Base, as well as training and research of African economists. As part of this 2.5 year project, 5 African Economists were given scholarships to attend the Fifteenth Annual Short Course in Global Trade Analysis and additional training on contributing I-O tables to the GTAP Data Base. The Eleventh Annual Conference on Global Economic Analysis in Helsinki will feature a special session on the research undertaken using this new database.

The special African Data Base will be based on the GTAP 6 Data Base and contain a total of 40 regions, including Libya, the Democratic Republic of Congo, Cote d'Ivoire, Ghana, Cameroon, Kenya, Ethiopia and Sudan. We are always on the look-out for contributors, particularly of an Algerian I-O table, and would be interested in hearing from any experts who would be willing to review the African Data Base, in return for early access to the database. We hope to make the African Data Base available to the GTAP network early next year.

7. NEW RESOURCES ON THE GTAP WEBSITE

The list below details the GTAP Applications submitted to the GTAP Resource Center between July 3, 2007 and October 1, 2007. A comprehensive list of all recent additions can be found at:

<http://www.gtap.org/resources/latest.asp>.

A compendium of barriers to services trade

by Dee, Philippa

Applied General Equilibrium Analysis of Renewable Energy Policies

by Kanacs, D'Artis

CO2 Emissions by fuel and user for GTAP-E

by Ludena, Carlos

Does Economic Integration Affect the Structure of Industries? Empirical Evidence from the CEE

by Kanacs, D'Artis

East Asian economic integration and its impact on future growth

by Dee, Philippa

European Free Trade Areas as an alternative to Doha - Impacts of US, Russian and Chinese FTAs

by Baltzer, Kenneth, Søren Elkjær Frandsen and Hans Grinsted Jensen

Examining the India, Brazil and South African (IBSA) Triangular Trading Relationship

by Sandrey, Ron and Hans Grinsted Jensen

GTAP-E: An Energy-Environmental Version of the GTAP Model with Emission Trading

by Truong, Truong

Mending the Family Tree: A Reconciliation of the Linearization and Levels Schools of CGE Modelling

by Hertel, Thomas, Mark Horridge and Ken Pearson

Modelling the policy issues in services trade

by Dee, Philippa

**Reconciling Trade Statistics from China, Hong Kong and Their Major Trading Partners-
-A Mathematical Programming Approach**

by Wang, Zhi, Mark Gehlhar and Shunli Yao

Treatments applied to the Romanian Input/Output table: a methodological note

by Lakatos, Csilla and David Laborde

ZERO TARIFF FOR AGRICULTURAL PRODUCTS-Current Situation and Prospect of China-ASEAN Free Trade Area under Construction and AEAIFTA while Conceiving

by Jie, Xie

8. CONTACT INFORMATION

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