

# The Growth Effects of African Trade Policies

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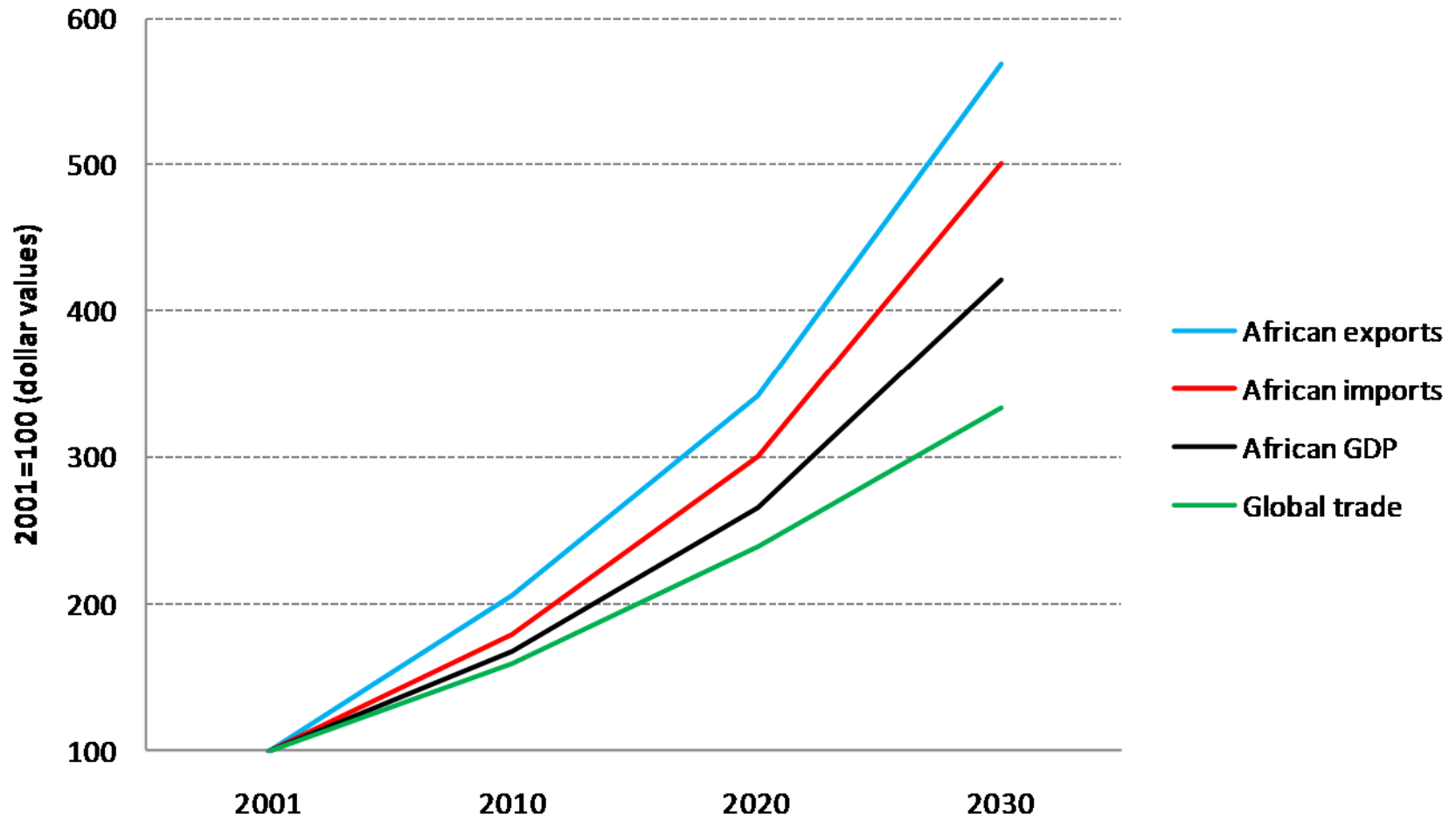
&

Marinos Tsigas

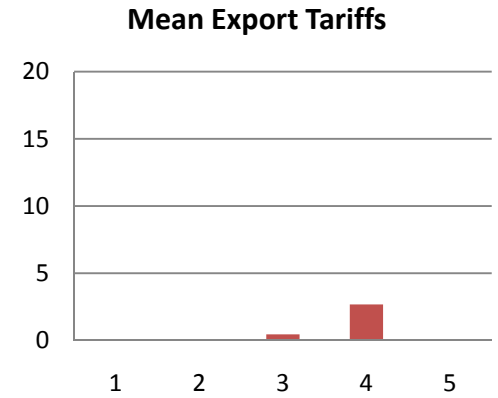
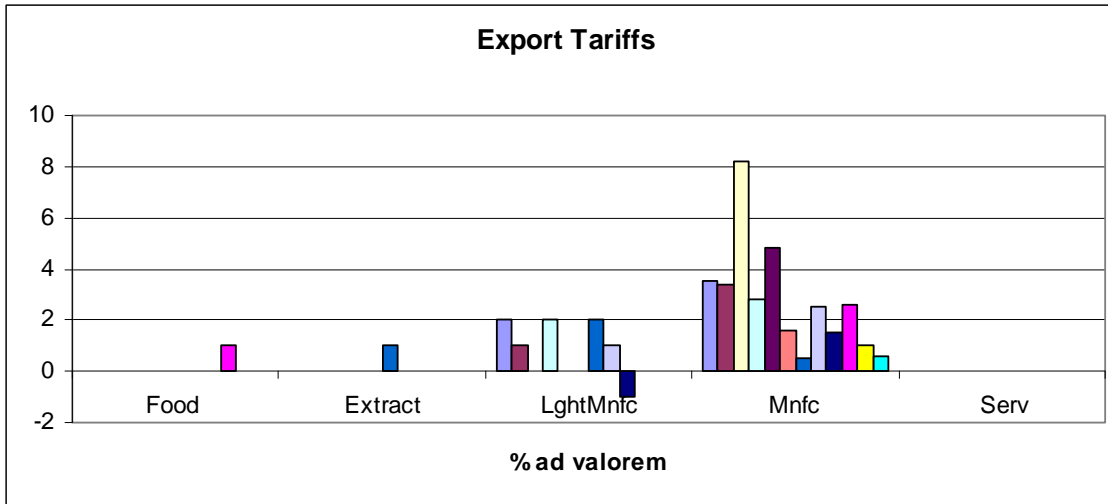
# Data and simulation specification

- 12 Regions
  - Oceania, China, East Asia, SE Asia, South Asia, N America, Paraguay, Latin America, EU-25, Turkey, **Africa**, ROW
- 5 Sectors
  - Food, Minerals, Light Manuf., Other Manuf., and Services
- Baseline: 3 periods, 2001-10, 2010-20, 2020-30
  - Projections for population, labor, and GDP during 2001-30
  - China enters WTO in 2001-10 (30% cut in China's import tariffs)
  - Textile, apparel quotas in during 2001-10 (part of Light Manuf.)
- Policy:
  - Removal of African export tariffs on Mnfc's
  - Removal of African import tariffs and export taxes/subsidies during 2001-10

# African trade and GDP, baseline

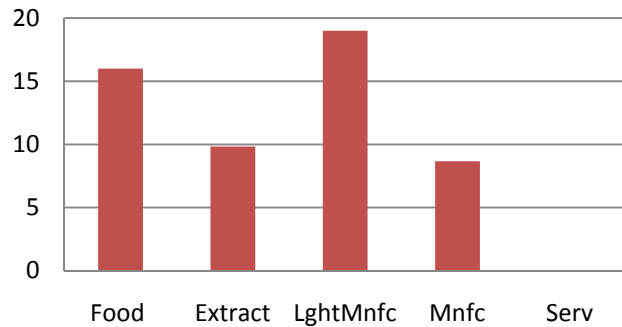


# Protectionist Policy in Africa

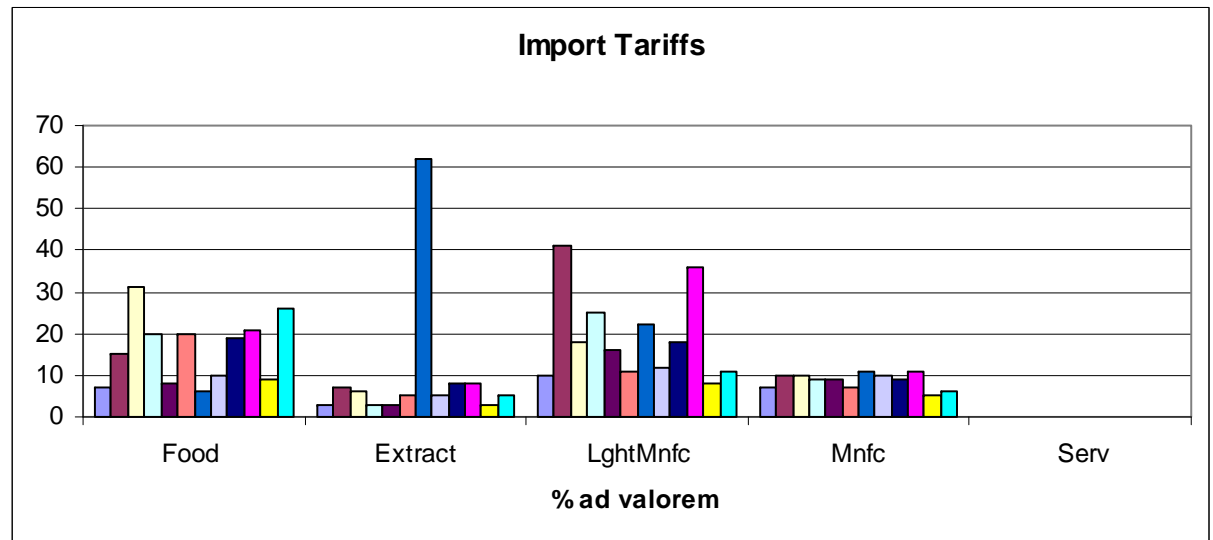


Africa has high taxes on Mnfc exports

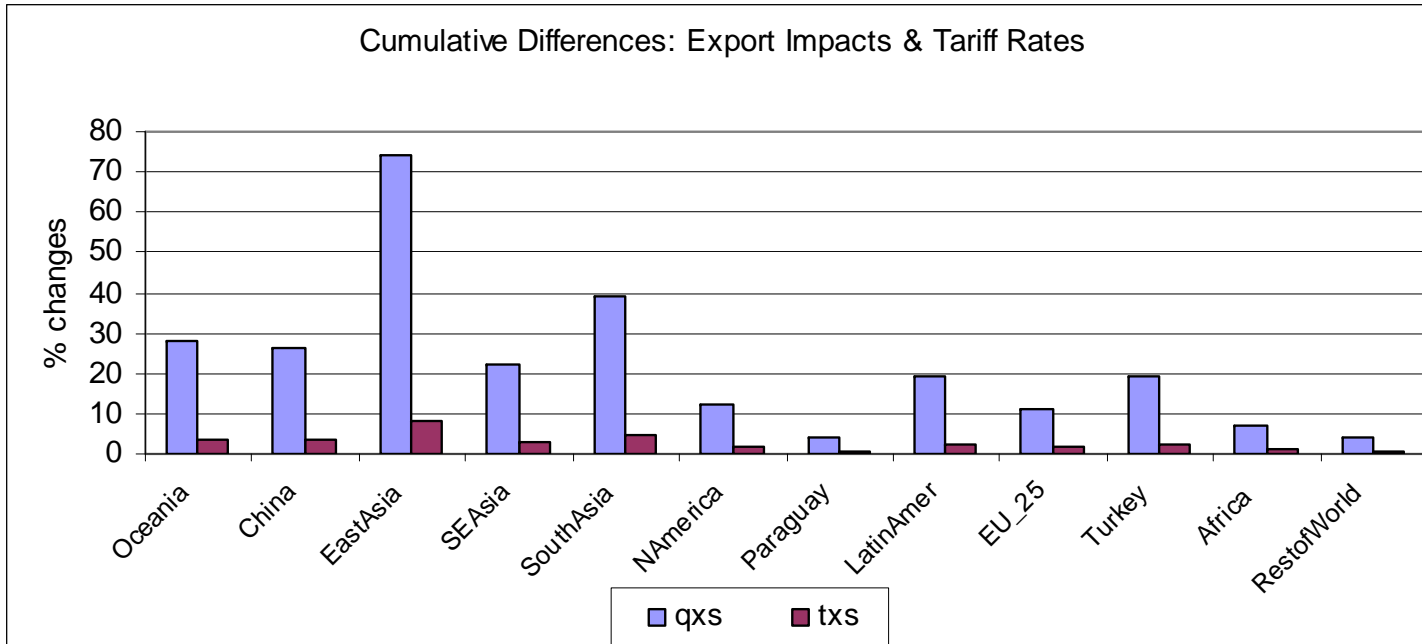
### Mean Import Tariffs



After South Asia, Africa has the highest import taxes



# What happens when we liberalize African exports of Mnfc's?



The impacts on exports are consistently large with the magnitude of tariff reductions.

Cumulative Differences

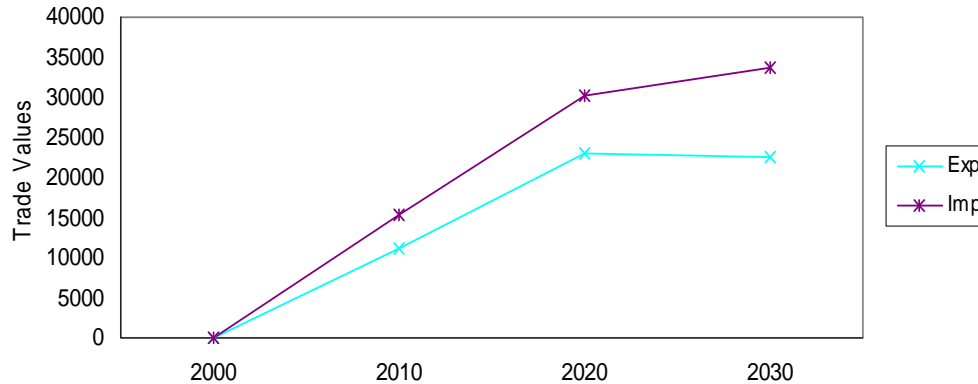
qxw	2010	2020	2030
Food	-1	0	0
Extract	-1	0	0
LghtMnfc	-2	0	0
Mnfc	16	18	1
Serv	-1	0	0

Cumulative Differences

	2010	2020	2030
qo(food)	-0.2	0	0
qo(mnfc)	2.8	1.2	0.9
qo(serv)	0.3	0	0

# Expenditure Pattern Differences from Baseline

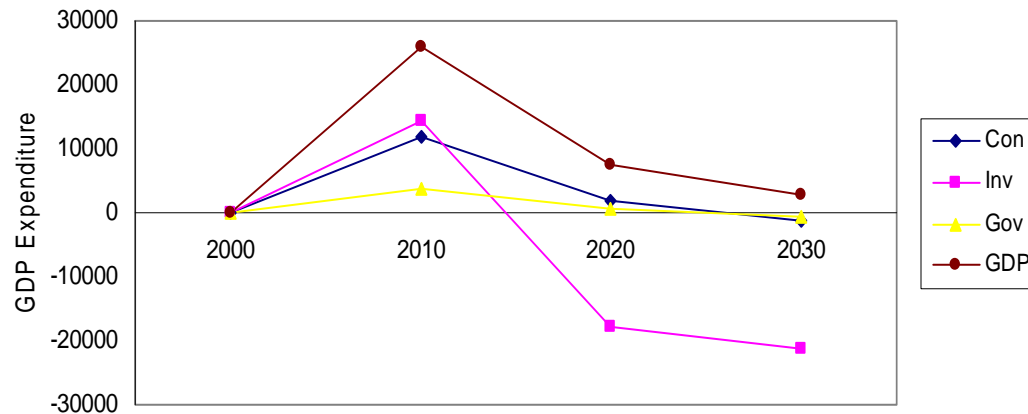
Long Run Trade Impacts: Cumulative Differences



- African Trade increases over the long run
- (S-I-NFI) must fall for the greater deficits, (X-M) falls
- Since I falls and S increases, NFI must increase in the long run

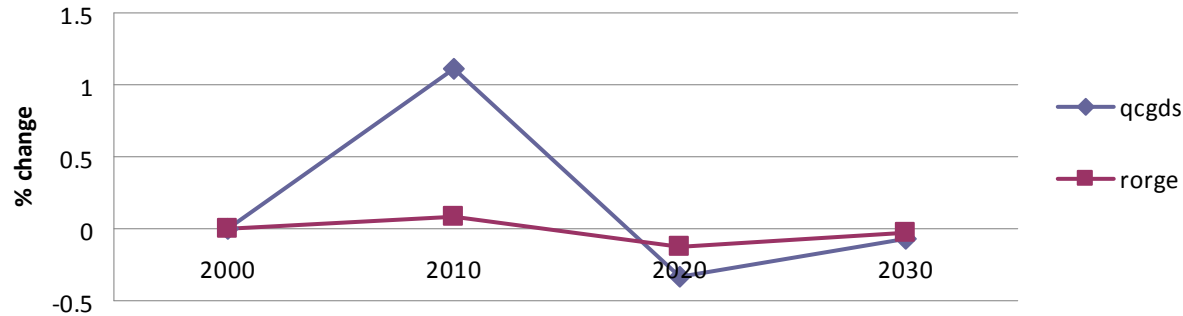
- GDP increases by 0.4% following the shock, but taps off.
- Hhold Con & Gov follows the path of GDP
- Perhaps, investments can explain the story...

Impacts on Growth

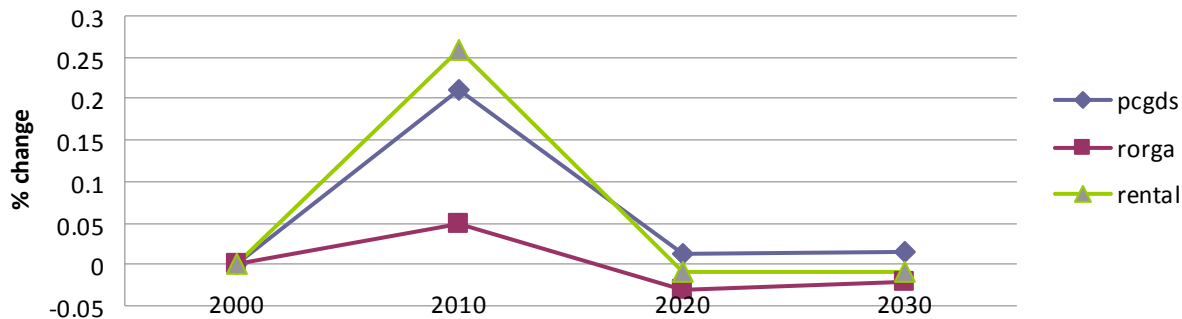


# Analyzing the Dynamics in Capital Goods Investment

## Impacts on Investments: Cumulative Differences



## Impacts on Growth: Cumulative Differences

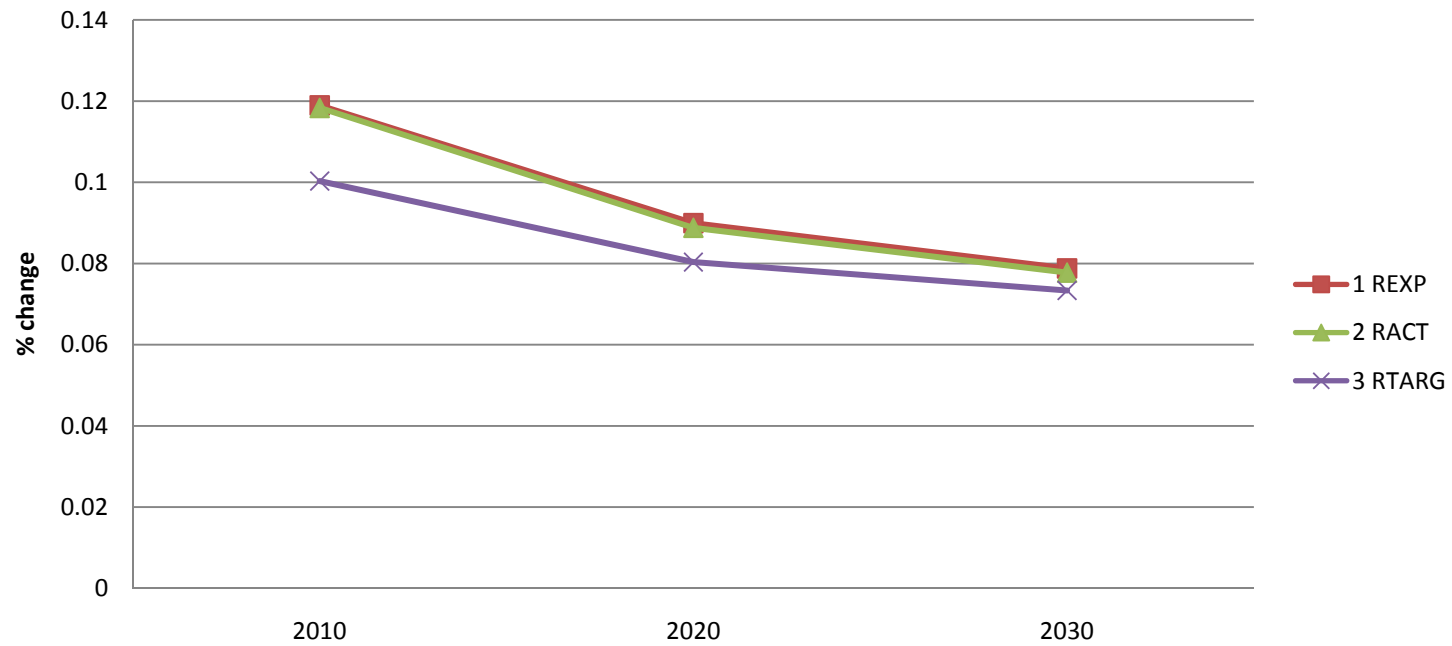


In 2010...

pcgds	0.21	
	% changes	Cost Shares
pf(food)	0	1.5%
pf(extract)	-0.018	0.3%
pf(LghtMnfc)	-0.007	1.4%
pf(Mnfc)	-0.001	14.2%
pf(Serv)	0.003	82.6%

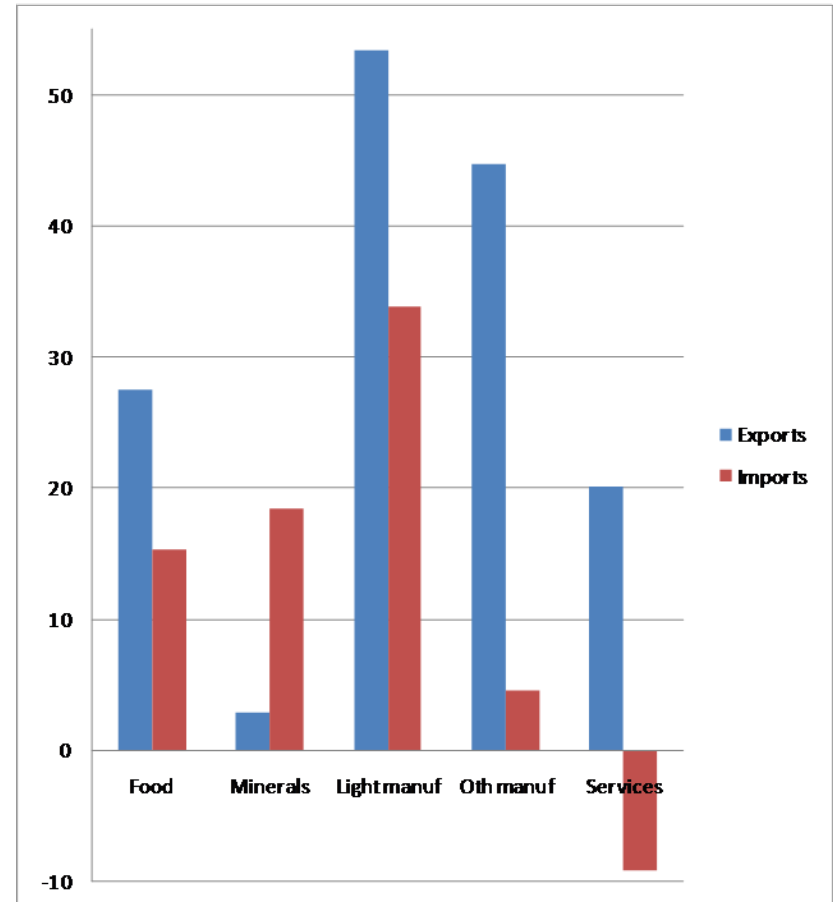
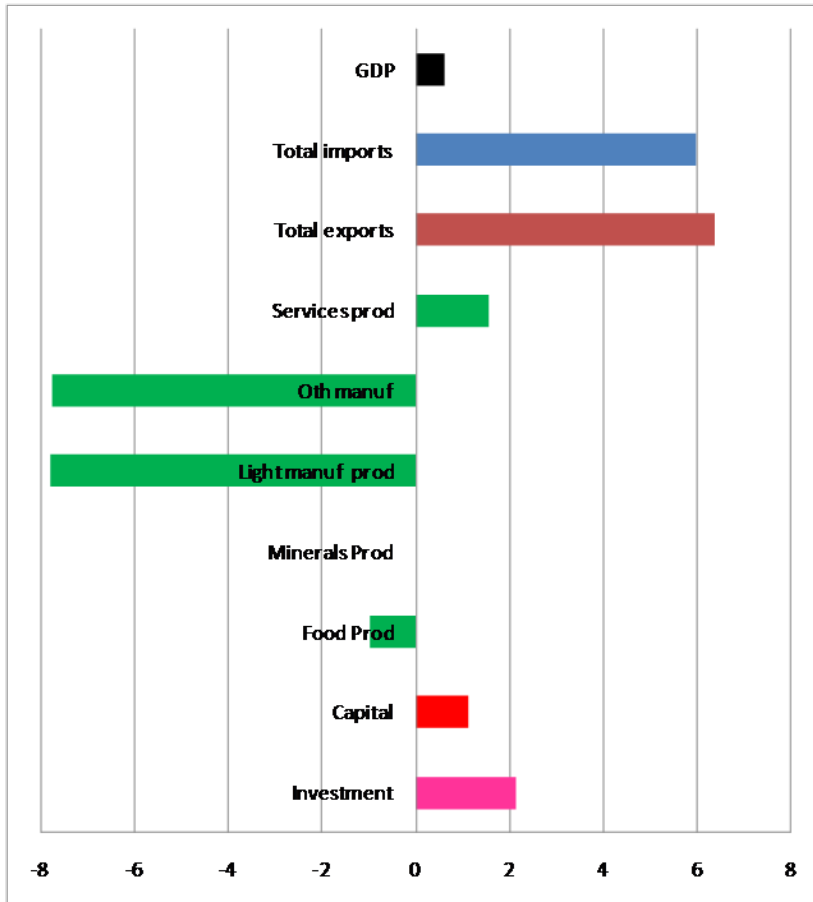
# Convergence of Rates of return over the Long Run

## Impacts on Growth: Levels



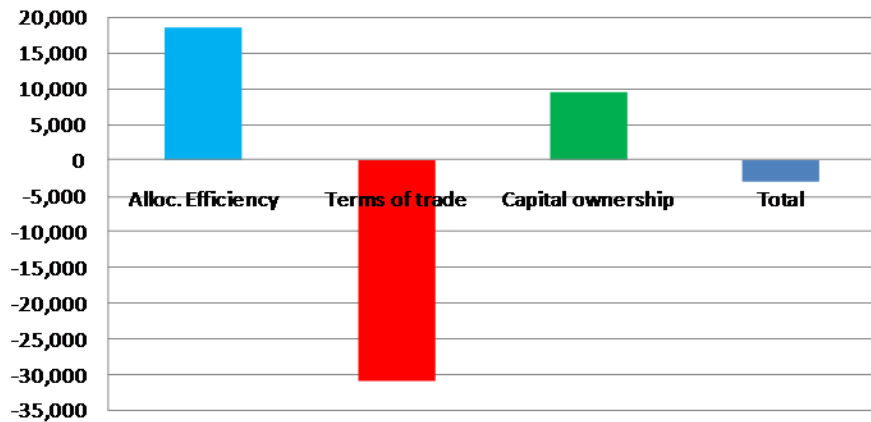


# Effects on African economy of Removing import and export policies (cumulative percent change from baseline)

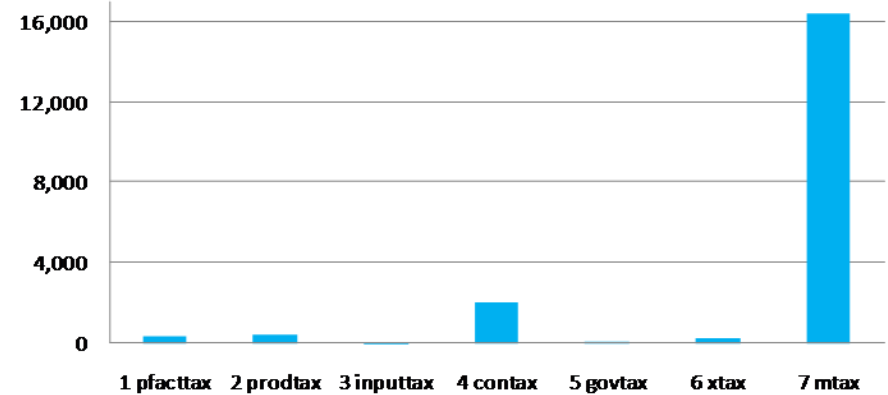


# Decomposition of welfare effects for Africa

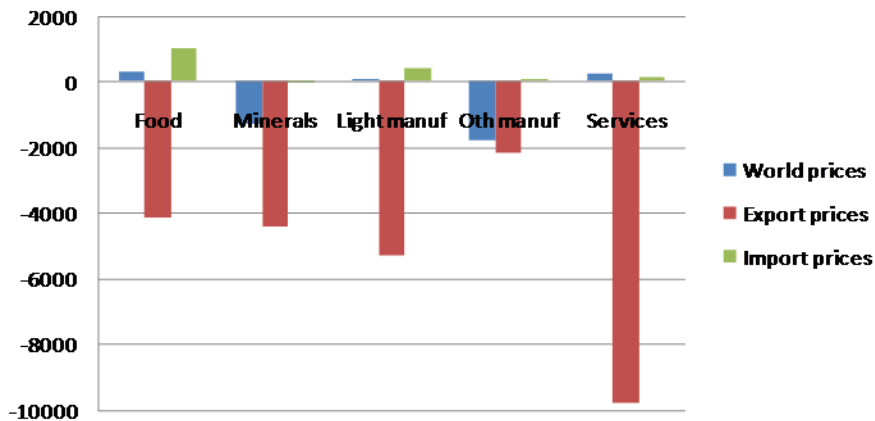
## Welfare effects



## Allocative efficiency effects



## Terms of trade effects



## Capital ownership effects

