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Title: The GATT/WTO Welfare Effects: 1950—2005

Speaker: Assoc. Prof. Pao-Li

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Introduction

This paper estimates the partial effects of GATT/WTO membership on imports from members and non-members based on nonparametric matching estimators, and evaluates the ex-post welfare effects of the GATT/WTO in its entire history of 1950-2005 for as many as 175 countries. The estimation methodology takes into account trade liberalization induced by GATT/WTO in all aspects (tariff or non-tariff barriers, variable or fixed trade cost, border or domestic trade-related measures). With nonparametric matching, the framework is also able to accommodate heterogeneous treatment effects in arbitrary ways and potential selection into treatment based on observables. Given the partial trade effect estimates, we quantify the general equilibrium effect of GATT/WTO on welfare, trade flows, mass of firm entrants, outward and inward multilateral resistance, wages and production cost for each country in 1950-2005. In particular, we reformulate three representative quantitative trade models of Anderson and van Wincoop (2003), Krugman (1980) and Melitz (2003) within a unified framework connected by structural gravity equations, and allow for the use of intermediates in production. The results are overall confirmative of the large welfare gains created by the GATT/WTO system at the global level and across more than five decades of its history, but the distribution of the gains across countries are highly heterogeneous with long right tails.