

NERAM: A Nominal and Effective Rates of Assistance Model for the SALTER World Trade Model

by
Stephen Brown

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1 INTRODUCTION

The Commission has developed, under contract to the Department of Foreign Affairs and Trade, a multi-country, multi-commodity general equilibrium model of the world economy. This is known as the SALTER (Sectoral Analysis of Liberalisation of Trade in the East-Asian Region) model and is designed to simulate policy effects on world trade flows particularly in the Australian and Pacific regions. The Commission calculates two measures of industry assistance, nominal and effective rates. These measures give an indication of the distortion to an economy due to a particular assistance regime. This paper outlines a Nominal and Effective Rates of Assistance Model (NERAM) that utilizes the SALTER database.

Section 2 discusses assistance measurement, looking at the basic concepts, measures and assumptions. This section highlights issues such as the treatment of capital, traded and non-traded goods in NERAM. This is followed by a discussion of the SALTER database and some additional assumptions used in the model in section 3. Section 4 looks at the computer implementation of NERAM giving an overview of the GEMPACK software followed by a description of how the data was derived and a discussion of the difficulties involved. The results of the model are presented in section 5. This involves a international comparison of the assistance estimates calculated for agricultural and non-agricultural products. Following this, assistance estimates are discussed on a more detailed sectoral basis. The final section is a summary of the model.

