

Abstract

With the widespread interest in the role that international trade can play in achieving the Millennium Development Goals, increasing attention is being given to the poverty impacts of trade liberalisation. The high level of public interest has stimulated renewed research activity aimed at expanding the evidence-base available to trade negotiators and policymakers. Within this context, computable general equilibrium economic modelling tools have been widely employed. This paper provides a critical assessment of the CGE economic modelling approach to assessing the impact of multilateral trade policy reform on poverty. It first summarises the results of recent modelling studies that have been widely quoted during the WTO's Doha Development Agenda negotiations. The paper goes on to argue that although traditional representative agent CGE models tend to be by design ill-suited for poverty analysis, single-country CGE models linked to household micro-simulation modules may provide more relevant insights. Nevertheless, the latter need to be further coupled to other modelling approaches on both the macro and the micro side for a meaningful economic assessment of the trade-poverty nexus. Furthermore, CGE modelling results need to be integrated into a broader cross disciplinary approach, drawing on both quantitative and qualitative methods and evidence.

Keywords: trade, poverty, CGE modelling, impact assessment, inter-disciplinarity.

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