POSTER 14

GATT/WTO Membership and Poverty

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Various international trade models show that economic integration generates consumer and production efficiency gains as trade liberalization induces lower consumer prices, greater product selection and a more efficient allocation of resources between and within sectors. That trade liberalization brings about gains is not in dispute, but there are controversies about the size of the gains and the mechanisms by which these gains are generated. However, the most contentious topic is arguably the incidence of trade on income distribution and more specifically on poverty. The Hecksher-Ohlin model predicts that the wage gap between low-skilled and high-skilled workers in developing countries should be reduced by trade liberalization. However, models of trade in tasks (offshoring) and trade models allowing for unemployment and firms with heterogeneous productivity levels also show that trade can magnify income inequality. We use matching techniques and quantile regressions accounting for self-selection effects in investigating the causal effect of GATT/WTO membership on poverty in developing countries. Our results indicate that GATT/WTO increases poverty when all of 125 developing countries are pooled. However, when countries are classified either as agricultural exporters or importers, we find that GATT/WTO membership decreases poverty in net exporters of agricultural products and increases poverty in net importer of agricultural products.