5.1 Introduction

The development of a baseline scenario is an important component of assessing the impact of a policy issue with a dynamic model. A baseline depicts how the world economy might be expected to change, over a given period of time, if the policy were not implemented. The baseline scenario should therefore reflect as closely as possible the changes expected to occur in the world economy, excluding the particular policy of interest.

Building a baseline is not an easy task. The components of the baseline will depend on the regional/sectoral aggregation chosen for the study and the policy being examined. A good baseline will include projections for macroeconomic variables, such as real GDP, population, technological change and factor growth rates, for each of the regions being examined; and key policies which have already been agreed upon or are expected to affect the regions/sectors or the policy scenario being examined. New baselines are often developed each time a new policy issue is addressed. For example, a baseline built to examine China’s accession will not be suitable for examining the impact of free trade agreements within Southern Africa, most noticeably because the regional aggregation will differ between the two experiments but also because the policies we would want to include in the baseline would differ considerably. Moreover, the key macroeconomic variables may differ depending on the policy experiments; for example, tracking changes in investment might be important for examining the impact of a policy on investment in the East Asian economies; while tracking changes in population or labor force might be important if you were examining the impact of improved health policies in Southern Africa.

While it is quite difficult to develop a common baseline for use with all policy scenarios there are some elements which will be common to many policy scenarios. This is particularly true for some of the basic macroeconomic projections. There are significant benefits to be gained, in terms of time-saved and comparability of results, from sharing a common set of forecasts for these variables.
In this chapter we discuss the construction and implementation of a baseline scenario for the Dynamic GTAP Model. The chapter utilizes an aggregation of the GDyn Data Base (outlined in chapter 4). Rather than focusing in on one particular region of interest, the aggregation is chosen so as to show the baseline scenario for various aggregated geographical areas around the world; we do not have an underlying policy experiment in mind, our aim is to create a baseline of the world economy. The chapter is divided into 5 sections. Following the introduction, the first two sections discuss the macroeconomic and policy data used in the creation of the baseline. This includes an in-depth account of the data sources for both the macroeconomic and policy projections, the methods used to fill in missing projection values and extrapolate the macroeconomic projections, and the assumptions made and methodology followed to prepare policy projections for the baseline. Since the macroeconomic projections are expected to be common across many baselines, a full set of projections has been developed for all countries which can then be aggregated into any subset of GTAP regions. The policy projections, on the other hand, are specific to the experiment being undertaken and hence we concentrate on the methods used to develop the policy projections. The fourth section then outlines how these projections are implemented into the model and the fifth section, examines alternative ways in which technological change can be treated when creating a baseline. Finally, we conclude the chapter in the sixth section.

5.2 Macroeconomic Projections

The first section of the baseline scenario relates to the macroeconomic projections. Projected values of gross domestic product, gross domestic investment, capital stocks, population by age groups, skilled labor and unskilled labor for the period 2001 to 2020 were obtained for 226 countries.1 This section is divided into two sub-sections: the first contains a description of the projections, including the macroeconomic projections and macroeconomic data; and the second sub-section describes the procedures used to fill in missing data.

5.2.1 Data Sources for Projections

5.2.1.1 Projections

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1 At the time of writing this document, the GTAP Data Base used a standard country list consisting of the 226 countries.
Projections were obtained for gross domestic product, gross domestic investment, population, total labor and skilled labor. Descriptions of this data are given below:

1) *Gross domestic product, gross domestic investment and population data and projections* were available for 133 countries/regions for the period 1992 to 2007 (with projections from 1998 to 2007).

2) *Labor force projections* in the form of number of male and female workers were available for 205 countries/regions. Projections were provided on a five yearly basis from 1990 to 2020. Data on male and female workers were added together to obtain projections for the total labor force.

3) *Skilled labor projections* were obtained from two sources.
   
a) For the less developed countries, projections of the share of secondary and tertiary educated labor as a proportion of the population were obtained for 71 developing countries. These were five yearly projections from 1990 to 2020 and they were obtained from Ahuja and Filmer (1995).

   b) For the developed economies, skilled labor projections were based on projected skilled labor shares for 12 developed/developing regions over the period 1994 to 2050. These were obtained from the CPB (1999).

5.2.1.2 Other Data Required

In addition to projections, macroeconomic data for the base or initial year (2001) were also collected for all standard countries. GDP and population data were obtained for each of the countries from the World Bank, supplemented by data from the CIA World Factbook2. Other macroeconomic variables, including gross domestic investment and capital stocks, were either obtained directly from the World Bank or GDP shares were used to estimate their value. This base year data was used to scale data, fill in missing values and obtain capital stock projections. In this chapter, this data is usually referred to as the base year data.

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2 These data are consistent with those used in the production of the GTAP 6 Data Base (Dimaranan, 2006).
5.2.2 Missing Data

In all cases, the projections obtained from the various sources listed above were incomplete and in some cases incompatible. Some processing was required to get the projections into a common format and to ensure that there were values for all 226 standard countries and for all years of interest (2001 to 2020). In this section, the assumptions made and the steps taken to achieve this are outlined. The macroeconomic projections are discussed in turn below.

5.2.2.1 Gross Domestic Product, Gross Domestic Investment and Population

A number of steps were undertaken to obtain gross domestic product, gross domestic investment and population for all 226 standard countries. These included extrapolating, disaggregating regions, filling in projections for missing countries, scaling and finally calculating yearly growth rates. Each of these stages is discussed in turn below.

Extrapolation

Since projections were only available for the period 1995 to 2010, the first step was to determine the growth rate which should be used to extrapolate from 2010 to 2020. Firstly, it was assumed that the per capita growth rate would be used to extrapolate, with the population projections used to determine per capita growth rates. The growth rate used for extrapolation was the average growth rate in the final five years, usually 2005 to 2010. There were some cases, the USA for example, where data was not available for the entire period. In this case the last 5 years of available projections were used to extrapolate.

Disaggregating Regions

While most of the projections data were for individual countries, there were a limited number of cases where projections data were provided for an aggregate region. For example, projections were obtained for Belgium-Luxembourg, rather than for these two countries individually. For these aggregate regions the projections are divided across the individual countries in those regions using the relevant base year share. For example, the real GDP projections of Belgium-

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3 In the case of gross domestic investment, a check was made to ensure that the ratio of gross domestic investment to gross domestic product did not change dramatically after 2007. The difference between extrapolating based on growth rates and per capita growth rates was not significant since population growth rates were also extrapolated.
Luxembourg were divided using macroeconomic data on their respective levels of GDP in the base year and population projections are divided according to macroeconomic data on population, thus assuming that the growth rates for all countries within the region are the same as the growth rate for the region as a whole.

Filling in missing countries

The next step involved providing projections for those standard countries where projection data was not available. Since data was available for 193 countries, missing data had to be filled only 18 very small countries. The growth rates of these 18 countries were assumed to equal the average growth rate of the countries for which data was available. It was necessary to estimate the growth rates for the remaining 18 countries in order to ensure that the estimated growth of the Rest of World region was not overly biased towards the growth rate of one particular country in the region when aggregated.

Scaling

The projections data\(^4\) were based on 1992 prices. In addition, projections for the base year (1995) were often inconsistent with those obtained from the GTAP Data Base. In order to ensure consistency between the projections and the GTAP Data Base, all projections were scaled so that the base year projection (1995) was equal to the equivalent value in the GTAP Data Base.

Calculate growth rates

Finally the projections were converted into yearly growth rates. The resulting growth rates for real gross domestic product, gross domestic investment and population are shown in Figures 1-2, 3-4 and 5-6 respectively, for a selection of regions\(^5\).

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\(^4\) Projections data is consistent with forecasts used in Global Economic Perspectives.

\(^5\) The projections were aggregated into 11 regions.
Figure 1: Gross Domestic Product Growth Rates for 1997 to 2020: Japan, North America and Western Europe

Figure 1 shows that on average the growth rate for real GDP in North America is higher than in Europe. Japan shows a large decline in growth rate in 1998/99 which only gradually returns to its previous levels in 2005. This poor performance reflects the difficulties experienced by Japan in the 1990s as a result of crisis in their own economy and in Asia in general. Similar patterns can be seen in gross domestic investment (Figure 3).
Figure 2 again shows the negative effects of the Asian and Brazilian crises on South East Asia and Latin America and to a lesser extent the other countries. China’s impressive growth rates over the 1990s are also clear. Similar patterns can also be seen in gross domestic investment (Figure 4).
Figure 3: Gross Domestic Investment Growth Rates for 1997 to 2020: Japan, North America and Western Europe

Figure 4: Gross Domestic Investment Growth Rates for 1997 to 2020: China, South East Asia, South Asia, Latin America and Africa-Middle East
Figure 5 illustrates the low and declining population growth rates currently being experienced across the developed economies. Population growth rates in the developing economies are much higher (Figure 6).
5.2.2.3 Labor Projections

Projections were obtained for total labor, skilled labor and unskilled labor. As was the case for gross domestic product, gross domestic investment and population, a number of steps were undertaken to obtain labor force projections for all standard countries. These included disaggregating regions, filling in projections for missing countries, and filling in data for missing years. The three types of labor projections are discussed in turn below.

5.2.2.3.1 Total Labor Force Projections

Disaggregating Regions

While most of the labor projections data were for individual countries, there were a limited number of cases where labor projections were provided for a regional aggregates. For example, labor projections were obtained for a region ‘other Europe’. For these composite regions the labor projections were divided across the countries contained in those regions using population shares. Thus it was assumed that the growth rates for all countries within the region were the same as the growth rate for the region as a whole.

Filling in missing countries
The next step involved providing labor force projections for those standard countries where no labor force projections data were available. Labor projections were filled by assuming that growth rates in those regions where no projections were available were equal to the average growth rate of the countries for which data was obtained.

Filling in the missing years

Labor force projections were available in five year intervals from 1990 to 2020. Thus it was necessary to fill in projections for the intermediate years. In order to do this it was first necessary to find the average yearly growth rate for each of these five year periods. It is assumed that growth rates for a particular country are equal for all years within the 5 year interval. These growth rates were then used to obtain projections for each year. This is the reason for the resulting 5 yearly steps in the labor force growth rates.

5.2.2.3.2 Skilled Labor Projections

As mentioned above skilled labor force projections were obtained from two sources: five-year projected shares of labor force were obtained for the developing countries while yearly projected shares were obtained for a number of developed regions. In order to obtain a complete set of projections, a number of steps had to be applied to both sets of data. For developing countries missing years in the skilled labor shares need to be filled and projections determined. For the developed economies, regional skilled labor shares were attributed to the developed countries and projections calculated. The two sets of projections are combined and any missing countries filled. Each of these stages is discussed in turn below.

Developing Countries

Projections for developing countries are initially given as projected shares of the labor force in five year intervals from 1990 to 2020. Data is available for both tertiary and secondary education. In order to obtain the final projections, two steps are undertaken. In this case tertiary education was used to estimate skilled labor growth rates.

Firstly, it is necessary to fill in projections for the intermediate years. In order to do this, the average yearly growth rate for each of these five year periods. It was then assumed that within a given five year period yearly growth rates of shares for a particular country are equal. These growth rates are then used to obtain the projected shares for each year.
Secondly, the shares are combined with the total labor force projections to determine the projected number of people with tertiary and secondary education.

*Developed Countries*

The share of skilled labor in the total labor force were obtained for 12 regions. These regions included both developing and developed regions. Twenty-five developed economies were then given the projected shares of the region in which they were located. These shares were then combined with the labor force projections determined above to obtain projected skilled labor.

*Combining and Filling*

The next step involved providing skilled labor force projections for those standard countries where no skilled labor projections data were available. Skilled labor projections were filled by taking the projected value of labor for that country and multiplying it by the total average share of skilled labor in total labor. The total average share of skilled labor in total labor uses both the projections for the developed and developing countries. The resulting projections for skilled labor are depicted in Figures 7-8.

**Figure 7: Skilled Labor Growth Rates for 1997 to 2020: Japan, North America and Western Europe**

Figure 7 shows that the growth rates, and ultimately the number of skilled workers, are clearly declining in the developed economies due to the decline in labor force and populations. Figure
9 shows that growth rates in unskilled labor are negative in both Western Europe and Japan. Growth rates in North America are positive but less than 1%, due to the fact that the decline in population is not as severe in North America as it is in Japan and Western Europe, perhaps partly because of higher migration.

**Figure 8: Skilled Labor Growth Rates for 1997 to 2020: China, South East Asia, South Asia, Latin America and Africa-Middle East**

![Graph showing skilled labor growth rates](image)

In the developing economies however, the decline in both skilled and unskilled labor is less severe. High growth rates in skilled and unskilled labor decline over time. However, the growth rates remain positive and high (Figures 8 and 9). The growth rates of skilled labor are generally much higher than unskilled labor, perhaps reflecting policies designed to increase education and skill levels.

**5.2.2.3.3 Unskilled Labor Projections**

Once total labor and skilled labor projections were determined, unskilled labor projections were calculated as the difference between the total labor and skilled labor projections. The resulting projections for unskilled labor are depicted in Figures 9-10.
5.3. Policy Projections

Policy projections are another important element of a legitimate baseline scenario. The policy projections which will be incorporated into the baseline will depend primarily on the issue being
examined. For example, if you are interested in free trade agreements amongst the Southeast Asian economies, it would be important to incorporate any agreements which have already been ratified – such as AFTA. However if you are examining agreements between the EU and South Africa then the AFTA agreement is of limited concern. For this reason the policy projections which have been incorporated into this baseline reflect the issue being examined, namely China’s accession to the WTO. It is up to the user whether or not a particular agreement should be included in the baseline. The following is a list of agreements which were incorporated into the baseline for examining China’s accession to the WTO:

1. the removal of tariffs under the implementation of the Uruguay Round (UR);
2. the implementation of the Multi-Fiber Arrangement; and
3. some pre-WTO accession tariff reductions implemented by China prior to 2000.

The first sub-section contains a description of the original sources for the policy projections. In the second sub-section, each of the policy agreements is discussed in turn – outlining the assumptions made and any problems with the data.

5.3.1 Data Sources

The following data on the UR agreements and on China’s accession were obtained:

1. Post-UR tariff estimates were obtained from Francois and Strutt (1999). These estimates were based on post-UR information from version 3 of the GTAP database and the GATT/WTO Integrated Data Base (IDB). These estimates were in the form of post-Uruguay tariff revenue. These tariff revenues had been updated to reflect version 4 of the GTAP Data Base by Dimaranan (1999).

2. Estimates of the weighted average applied tariff rates offered by China and Taiwan for their accession to the WTO were obtained from Will Martin at the World Bank. These are based on the final agreement between China and the USA and were available for 43 of the 57 GTAP commodities and 64 of the 66 GTAP regions. Tariff rates were provided for 2000, 2001 and 2007. The rates for 2000 and 2001 reflect tariff reductions already undertaken by China in the lead up to accession and therefore should be incorporated into the baseline. Similar information was provided for Taiwan’s accession agreement.
3. Removal of export tax equivalents are used to simulate the effects of reducing the quotas on textiles and wearing apparel under the MFA. These were obtained from the GTAP 4 Data Base.

5.3.2 The Policy Agreements

The timing of the policy projections in the baseline scenario are of utmost importance. Table 1 provides an overview of the timing of various policies included in the baseline scenario.

<table>
<thead>
<tr>
<th>Tariffs</th>
<th>Quotas</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995 – 2005</td>
<td>UR: tariff reductions for all regions except China and Taiwan (no shocks to agriculture).</td>
</tr>
<tr>
<td></td>
<td>MFA: USA and EU quotas increased on exports of textiles and wearing apparel for all regions except Taiwan and China.</td>
</tr>
</tbody>
</table>

5.3.2.1 The Uruguay Round

A number of problems were noted with using the available post-Uruguay Round tariff revenue data obtained. As a result, these tariff revenues were adjusted in three ways:

a) Large differences between the actual tariff revenue provided in versions 3 and 4 of the GTAP Data Base for beverages and tobacco led to substantially different shocks being applied to simulate the UR depending on which version of the GTAP database you were using. As a result the UR tariff revenue for beverages and tobacco was adjusted to ensure that the final shock obtained in version 4 was the same as that obtained in version 3.

b) The original post-UR tariffs calculated by Francois and Strutt (1999) assumed that all commitments would be implemented. However, it has become increasingly clear that agreements made with respect to agriculture were unlikely to be undertaken. Hence no changes were made to agriculture under the Uruguay Round agreement in the baseline.

Each year the tariff is assumed to fall by the same amount so that the specified tariff level is achieved in the final year. The reduction in tariffs as per the Uruguay Round agreement occur
between 1995 and 2005. The reductions are quite small as most of the UR had already been implemented prior to 1995.

5.3.2.2 China Pre-WTO Tariff Reductions

Projections for China’s (and Taiwan’s) tariff rates were provided for 2000, 2001 and 2007. Each year the tariff is reduced by the same amount so that the specified tariff level is achieved in the final year. China’s average tariff rates prior to WTO accession are shown in Table 2. The changes in tariff’s pre-accession are fairly large, hence not including them in the baseline would overestimate the impact of China’s accession to the WTO.

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crops</td>
<td>4%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Livestock</td>
<td>7%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Food and beverages</td>
<td>22%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>Resources</td>
<td>8%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Textiles</td>
<td>58%</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>Wearing Apparel</td>
<td>76%</td>
<td>32%</td>
<td>32%</td>
</tr>
<tr>
<td>Metals and Chemical products</td>
<td>19%</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Autos</td>
<td>129%</td>
<td>32%</td>
<td>32%</td>
</tr>
<tr>
<td>Electronics</td>
<td>22%</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Other Manufacture</td>
<td>23%</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Utilities</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Trade and Transport</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Other Services</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>

5.3.2.3 The Agreement on Textiles and Clothing

Tariffs and quotas were treated slightly differently in the baseline scenario. As mentioned above the reduction in tariffs was assumed to occur gradually over several years. For the quota rents however, the growth in quotas and eventual removal has not been gradual but has been severely back loaded over time. This is consistent with how the agreement on textiles and clothing (ATC) is currently being implemented by North America and Western Europe. Figure 11 illustrates how the removal of export quota rents has been implemented in the baseline.
5.4. Implementing the Baseline

5.4.1 Aggregation

At this stage we have projections for gross domestic product, gross domestic investment, population, labor force, skilled and unskilled labor for 211 standard countries and for each year from 1995 to 2020. For GTAP Data Base users and in particular for the GTAP-Dyn model the projections and growth rates are then aggregated to obtain projections for each of the 11 GTAP regions used in this example.

North America
Western Europe
Japan
China
Taiwan
Other Newly Industrialized Economies
South East Asia
South Asia
Latin America
Africa and the Middle East
Rest Of World
5.4.2 Closure

The growth rates in real GDP, gross domestic investment, population, and skilled and unskilled labor; and the shocks to tariffs and quotas are then incorporated into the baseline scenario. With the exception of real GDP and gross domestic investment, these projections affect variables which are exogenous in the standard closure of the model and therefore no special changes need to be made to introduce the growth rates as shocks to these variables. Real GDP and gross domestic investment are considered in greater detail below.

5.4.2.1 Real GDP and Technological Change

Real GDP, on the other hand, is usually determined endogenously by the model. As such, in order to include these projected growth rates, another variable must be made endogenous. From the growth accounting literature we know that growth in GDP depends on growth in endowments of labor, land and capital and technological change. In this baseline we have estimates of growth in labor (skilled and unskilled) and capital (via projections of gross domestic investment) – land is assumed fixed (zero growth). If we also have estimates of growth in real GDP then technological change must be endogenously determined. Hence, real GDP is set exogenously and ‘shocked’ by the projected growth rate and country-wide technological change is determined endogenously as the residual between growth in the country’s real GDP and its endowment growth. The resulting growth rates of technological change are depicted in Figures 12 and 13.
There are a number of points to note regarding the resulting changes in technological change:

1. The constant technological changes in the periods 1996-2000, 2011-2015 and 2016-2020 reflect the fact that those periods were aggregated in the simulation.
undertaken and then for the purposes of making the figures more easily readable, the resulting 5 year change was broken down into a constant yearly change.

2. If we concentrate on the period prior to 2002, we see that technological change also captures some of the decline resulting from the various crises in Asia, Brazil and Japan. This is due to the fact that the decline in investment (or capital stocks) cannot fully explain the decline in real GDP. Moreover the growth in labor relates to the growth in supply of skilled and unskilled labor and not to changes in demand for labor – thus there is an assumption of full employment. This assumption does not accurately reflect the real situation during this period and hence technological change is capturing some of this decline in demand for labor.

3. Growth rates in technological change are higher and more persistent than one would expect, especially in the developing economies. This is due to the fact that many developing economies are currently experiencing very high growth rates in real GDP with high technological change. These very high growth rates in real GDP are then extrapolated to 2020, hence the technological change remains high.

4. The average growth rate of technological change has increased over time. The growth rates of real GDP and gross domestic investment are projected to stabilize over time while population and labor is projected to decline. Therefore the only way to maintain these high growth rates in real GDP is if technological progress increases to compensate for the declining labor force. Another reason for the increase in average technological progress over time is the downward bias in the initial period caused by the Japanese, Asian and Brazilian crises.

These features of the growth in technological change raise concerns about the assumptions made in creating the baseline, particularly in relation to real GDP. It may be more appropriate to allow the model to determine real GDP endogenously and instead incorporate more appropriate projections of technological change into the model. Ultimately the decision rests with the user and whether they wish to target the real GDP projections or target technological change and allow the model to determine growth rates in real GDP.
Moreover if the policy issue being considered is focused on a particular sector or set of sectors, the user would be advised to incorporate sector-specific technological shocks into the baseline. Incorporation of sector-specific technological change may also improve the resulting endogenously determined country-wide growth in technology.

5.4.2.2 Gross Domestic Investment

Gross domestic investment is also determined endogenously in the standard closure of the model. GDI is driven by the investment mechanisms in the model – namely a) the elimination of errors in expectations; the gradual movement of actual rates of return to target; and c) the gradual movement of the growth rate of capital to the normal growth rate of capital. To set investment exogenously one of these mechanisms must be disrupted. This can be achieved by either:

a) Allowing errors in expectations to change independently of the gradual elimination of these errors imposed by the model. In this case if the investment mechanisms are allowed to resume (i.e. investment becomes endogenous) then these errors in expectations will gradually be eliminated.

b) Allowing the actual rate of return to change independently of the gradual movement towards the target rate of return by imposing an endogenous risk premium. In this case even once the investment mechanisms are allowed to resume (i.e. investment becomes endogenous once again) the accumulated risk premium is permanent and will not be eliminated over time.

In the China’s accession example, the second of these mechanisms was used. As in the case of real GDP the user may prefer to allow the investment mechanisms in the model to determine gross domestic investment rather than use the simple extrapolation process outlined above to obtain projections.

5.4.2.3 Foreign Investment in China

Finally, as outlined in Chapter 8, foreign ownership in China was also adjusted to reflect the fact that foreign ownership had increased significantly more in China than was justified by the
changes in the rates of return. These changes in foreign ownership, it was argued, were the result of policies designed to open up the Chinese economy to foreign investors and reduce the perceived risk of investing there. Since the experiment being undertaken was designed to examine the impact of China’s accession on foreign direct investment, it was thought that the baseline should be adjusted to more accurately reflect the higher level of foreign investment in China prior to its accession. To do this the mechanisms in the model which determine how much investment is owned by domestic and foreign investors were turned off for China and the level of foreign ownership was set exogenously.

5.5 Conclusions

In this chapter we built a baseline scenario to analyze the impact of China’s accession to the WTO. The baseline included a number of elements – macroeconomic projections and expected policy changes – which were expected to affect the analysis of China’s accession. The choice of what to include in a baseline ultimately depends on the issue being examined and the users view of how the world will look over the period being examined. However there are some elements, particularly macroeconomic projections, which are common to many baselines. For this reason this chapter has focused primarily on these common elements.

It is important to note that while the baseline itself is generally not of any interest to the analysis, it does affect the shares in the data base and hence the results of the analysis. Care should therefore be taken to ensure a reasonably accurate representation of the world – or at least the countries and/or sectors of interest.

5.6 References


Dimaranan, B. V. and R. A. McDougall (2002). *Global Trade, Assistance, and Production: The GTAP 5 Data Base*, Center for Global Trade Analysis, Purdue University


