Abstract:

In this study, the effects of decreasing the import tariff rates on poverty indices has been investigated in the framework of Computable General Equilibrium (CGE) model that is known as a superior method for assessing the impact of policies on the entireeconomy. The study is based on two types of data. The first, is the economic accounts matrix for year 2006 that the parameters of CGE model are calibrated based on it and second, is data related to expenditure of 2000 households which is divided to two groups of urban and rural households. The effects of decreasing the import tariff rates on the prices ofcomposite commodities were determined endogenously in CGE model.then the composite commodities prices were used in deferent levels of decreasing the import tariff ratesto calculate the poverty indices. The several indices has beenpresented to assessing the poverty, however the FGT index that is more common has been used in this study. The results showed that in the base year, about 25.43 percent of the rural households and 36.7 percent of the urban households lives below the poverty line. Also the results indicated that two indices of the poverty gap and the severity of poverty decreases continuously with the reduction of import tariffs for each group (urban and rural households), but the amount of the improvement in these indices in the case of rural households is greater than urban households. Finally, with the reduction of import tariff rates by 100 percent, the poverty gap index for rural and urban households decreases by 4.05 and 3.33 percent, respectively, whereas, at the same level of tariff rates reduction, the poverty severity index in rural and urban communities decreases by 4 and 4.5 percent, respectively. The effect of all redaction levels of tariff rates (10, 20, 30, 50 and 100 percent) on the poverty headcount ratio index, is the same in the rural households and is less than 1 percent.Whereas, the headcount ratio for the urban households remain unchanged with reduction in tariff rates by amount of 10 percent and with increasing the amount of reduction in import tariff rates to 50 percent, the poverty headcount ratio is decreased only by amount of 0.14 percent, but with reduction of tariff rates by 100 percent, this index is decreased by amount of 2.32 percent.

Keywords: Iran's Economy, Poverty, Trade Liberalization

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