

<u>Model Variable</u>	<u>Model Equation</u>
EUUNpxALIVE	$1*((1-EUUNftm)+EUUNftm*(1+FTAAtmALIVE))*(1-EUUNtxALIVE)*(WLDpxALIVE^1)/EUUNxrt$ <p>export price equation - EUUNftm variable is a switch which applies a premium if the country joins a free trade agreement</p>
EUUNpmALIVE	$1*EUUNxxALIVE*((1-EUUNftm-EUUNcmm)*(1+EUUNtmALIVE)+EUUNftm*(1+MIN(FTAAtmALIVE,EUUNtmALIVE))+EUUNcmm*(1+CMKtmALIVE))*(WLDpxALIVE^1)/EUUNxrt$ <p>import price equation - EUUNftm and EUUNcmm switches engage the free trade area premium or the common market tariff as a substitute for the regular tariff</p>
EUUNxsALIVE	$2100315.3*EUUNfxALIVE*EUUNpxALIVE^{.75}$ <p>export supply equation is the function of a shift term (which may include a productivity effect) and the export price</p>
EUUNmdALIVE	$656029.440631133*EUUNfmALIVE*EUUNpmALIVE^{-.4}$ <p>the export supply (xs) and import demand equations (md) are constant elasticity functions with respect to price</p>
EUUNntALIVE	$0+EUUNxsALIVE-EUUNmdALIVE$ <p>EUUN net trade (nt) is calculated and fed into total world net trade in the market clearing mechanism sheet of the model</p>
EUUNbop	$0+(SUMPRODUCT((WLDpxALIVE:WLDpxJCNES),(EUUNntALIVE:EUUNntJCNES))+EUUNcfl)$ <p>balance of payments equation - The sum of net trade priced with world prices and added to the capital flow. Bop is always zero in the equilibrium state. If payments are out of balance, the exchange rate changes as a correction.</p>
EUUNzzALIVE	$0+EUUNftm*EUUNtmALIVE + (1-EUUNftm)*9$ <p>zz used for determination of minimum tariff of FTA member</p>
EUUNxxALIVE	$1+((EUUNcpALIVE/ABS(-.4))*(EUUNtmALIVE/(0.000001+EUUNbtALIVE))$ <p>xx is the tariff equivalent of import restrictions by a non-competitive importer. It is used in the import price equation.</p>
EUUNfxALIVE	$1+.7*.75*(EUUNpxALIVE-1)*.000001$ <p>fx is the shift term for the export supply equation. Fx = 1 if productivity is switched off by a 000001 term in the equation, fx >1 if the switch term is set to 1.</p>
Workbook = ECOWeqp.xls Sheet = EUUN	<p>Equations are the same form for all countries/regions but intercepts differ because of different base data. In ECOW the same elasticities, parameters, etc. are used in all countries but of course they can be changed by the user.</p>