

## **Assessing the Macroeconomic Effects of the Barcelona Initiative**

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This paper compares ex post and ex ante assessments of the macroeconomic effects of trade liberalization in the Mediterranean. Using implications from a standard Ramsey growth model augmented for anticipation and implementation effects, we pool cross section and time series data to estimate ex post the effects of trade liberalization on a set of Arabic Southern Mediterranean Partner countries (SMPCs). We find significant and robust evidence for positive effects on major macro variables and discuss the appropriate policies. Second, we review a number of computable general equilibrium (CGE) studies, which aimed at assessing the macroeconomic impacts for the same countries ex ante. CGE projections are very much at odds with the econometric findings and the biases seem to be systematic for all macro variables. Third, we use ANOVA techniques to identify possible shortcomings both with respect to design and target country of the CGE study. We find that even well-designed CGE studies targeted to an average type of country do not seem to yield reliable results. Overall, our analysis suggests that there is no sound statistical evidence to believe that CGE analysis has been useful in assessing the macroeconomic effects of trade liberalization in the Mediterranean. But we find considerable econometric evidence to support the view that free trade policies have enhanced growth in the MENA region.

*Keywords:* Barcelona Initiative, free trade agreement, CGE models