

Discussion Paper No. 2011-33

Title:

Deep Trade Policy Options for Armenia: The Importance of Trade Facilitation, Services and Standards Liberalization

The paper is a good and innovative exercise itself and focuses on an important topic, however, I think it is not well-organized and suffers from having proper structure. To me, after revision, the manuscript is suitable for publication. Still, I wish to list some comments below accordingly with the sections:

Section I

1. Page 2, last paragraph, if FTA stands for *Free Trade Agreement* "agreements " is not needed.
2. It will be better to point what exactly is gain, since any improvement in economy may be perceived as gain.
3. A great part of introduction captures the results and discussion. While we expect to see some information about the Armenian economy. Hence, it is too early to talk about results in introduction this much.

Section II

1. I am not sure that it is applicable; however, I think a part of price gap between Armenian services and EU members' services stems from quality differences and, at least, it deserves to be pointed out that more caution is needed in applying *Ad Valorem Equivalents*.

Section III

1. Page 11, line 13, the sentence "in our central model, we assume ..." needs minor correction.
2. Page 13, paragraph 2, terms of trade "effects" instead of terms of trade "affect"
3. Generally speaking, model and methodology discussion is much extended; however, some features of the model like exchange rate regime and labor mobility has not been discussed.
4. One of the main features of the study is using Dixit-Stiglitz framework, so to making clearer, it is better to present the applied equations of this framework.

Section IV

1. Georgia is not included as a CIS region. It deserves to explain shortly the reason.
2. Data description is too long.

Section V

1. In service liberalization part where you discuss the differences in welfare gain in different applications, maybe we can point to the differences in services structure, specially the under investigation services importance in whole of economy.
2. In general, result presentation is very brief and it deserves more discussion as verity of scenarios has been simulated. Especially, *sector impacts* discussion is very short.

3. The first paragraph of page 26 needs to be explained more clearly and especially with emphasis on the current study results.
4. We can find some parameters name in sensitivity analysis in page 29 and corresponding Table, while the corresponding equations have not been presented in methodology.

Suggestions for future studies

This paper is an outstanding work since it develops some innovations; however, it is useful to suggest some outlines for future studies:

1. According to *Pollution Haven Hypothesis*, maybe, gains of trade are associated with more pollution in developing countries, so if this hypothesis is applicable for Armenia more trade liberalization is not supported.
2. Gains distribution also is important. If the majority of people do not enjoy gains of trade, the policymakers will face problems in performing policies.