Role of Analysis in Developing and Implementing Agricultural Trade Policy

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Outline of presentation

- Demand for analysis -- four kinds of supply
- Expectations and communications
- Usefulness: timeliness and credibility
Context for analysis

- Trade negotiators face large volume of information, e.g.
  - government priorities
  - awareness of political realities
  - knowledge of sector and world

- Consultation with interest groups and citizens
  - is ongoing process
  - adds to negotiators’ information
  - gives feedback for setting government priorities
Demand for analysis

Where analysis is needed

- Identify forward-looking agenda for trade policy effort
- Manage trade disputes
  - WTO panels (e.g., dairy, Canadian Wheat Board)
  - Bilateral (e.g., USA imposing CVD on imports from Canada)
- Negotiate trade agreements
  - Bilateral/regional (Central America-4, FTAA, Canada/Korea)
  - WTO (Doha Development Agenda)
Role of analysis

Analytical findings are used to …

• assess implications of possible outcomes
  • better understand the effects and consequences
  • assess merits of different negotiating approaches

• develop economic arguments to support legal arguments

Analytical findings complement all other information

• They confirm what negotiators think they already know or

• They raise useful doubts about what negotiators think they know
Supply of analysis

- Time and money constrain the supply of analysis

- Analysis can be done
  - In-house
    - trade policy shop or analytical shop
  - By university researchers and consultants
    - specifically commissioned or part of broader research program
  - International organizations/agencies

- Four kinds of economic analysis
  - Preference for each depends on context and purpose
Supply of analysis

- **Broadbrush economic modelling**
  - GTAP; stylized

- **Agricultural commodity market models**
  - baseline projection

- “Small idiosyncratic models”
  - Rude and Meilke

- Collect and organize relevant data
Expectations on analytical work

- **Negotiators express their needs for analysis**
  - Too late or only in vague terms
    - They don’t know what analysis can be done
    - They are preoccupied with immediate short-term problems
    - Their needs change as negotiations progress

- **Trade policy analysts expect their findings to be useful - snapped up by negotiators**
  - Reality intervenes
  - Analysts may have defined problem in isolation, based on …
    - what modelling techniques allow
    - what data are most easily available
  - Can be irrelevant to concerns of negotiators
Communicating with non-analysts

- Analysts often communicate findings poorly
  - Relevant findings can be lost among qualifications
  - Weak findings can be overstated
  - Most senior managers and trade negotiators are not economists
    - example of long-departed DG: “why do I need to know about elasticity?”

- Putting analytical findings into context of reality
  - Role of political economy and law
  - Interest groups’ own analyses are often communicated well

- If policy details are wrong, analysis seems irrelevant
  - Small errors can make user dismiss findings, even if key results are not affected
Key messages – importance of practical advice

- Analysts take trade policy information at face value when incorporating in models
  - Difficult to account for ingenuity of policy practitioners in interpreting rules
    - Can analysis help to reduce latitude for unwelcome ingenuity?

- Negotiations often helped most by
  - Solid information to corroborate or refute arguments used by pressure groups
    - E.g., clear answers about potential of blue box payments to distort
  - Short-term (3 hours or overnight) answers
    - Based on being familiar with key data and nature of the issue
Usefulness: Depends on timeliness and credibility

- **Timeliness**
  - Too early - can make analysis seem irrelevant
    - Will data be out of date when analysis finally gets attention?
  - Too late - effort is largely wasted even if well done

- **Credibility**
  - Analytical findings need to be credible, otherwise no influence
    - Credibility is established over time
    - Credibility depends less on sophistication of model
      - Results from non-policy-specific model often less credible than from policy-specific model
  - Need to present findings effectively
    - Description of model is usually not an effective message
    - Findings being model-based does not, by itself, make them credible
    - Communicating the findings is important part of analytical effort
Thank you!