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# **Role of Analysis in Developing and Implementing Agricultural Trade Policy**

**Lars Brink**  
**Agriculture and Agri-Food Canada, Ottawa**  
**brinkLa@agr.gc.ca**

**CATPRN Workshop**  
**Westin Bristol Place Hotel, Toronto**  
**10 February 2007**



# Outline of presentation

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



# Context for analysis

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- **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

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## ■ 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

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## ■ 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

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- **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

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- **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

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- **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

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- **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

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- **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

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## ■ 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



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**Thank you!**

