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 <u>or</u>**

  - **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**

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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!