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Current Challenges in Trade Policy Making – Is Economic Research Relevant?

Frédéric Seppey

Selected Paper prepared for presentation at the International Agricultural Trade Research Consortium's (IATRC's) 2016 Annual Meeting: Climate Change and International Agricultural Trade in the Aftermath of COP21, December 11-13, 2016, Scottsdale, AZ.

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Current challenges in trade policy making – is economic research relevant?

Frédéric Seppey

Assistant Deputy Minister and Chief Agriculture Negotiator

IATRC Annual Meeting – December 12, 2016

Our Vision

Driving innovation and ingenuity to build a world leading agricultural and food economy for the benefit of all Canadians.

Our Mission

Agriculture and Agri-Food Canada provides leadership in the growth and development of a competitive, innovative and sustainable Canadian agriculture and agri-food sector.

OVERVIEW

01

Trade Policy
Process

Pages 3-7

- + *Trade policy process in a nutshell*
- + *Trade negotiation process*
 - *Exploratory discussions*
 - *Negotiations*
 - *Parliamentary review*

02

Linking Research
and Policy

Pages 8

- + *Leveraging economic research and analysis*

03

Non-Traditional
Trade Issues

Pages 9

- + *Emerging themes of trade policy*

04

Measuring
Performance

Pages 10

- + *Results and delivery*

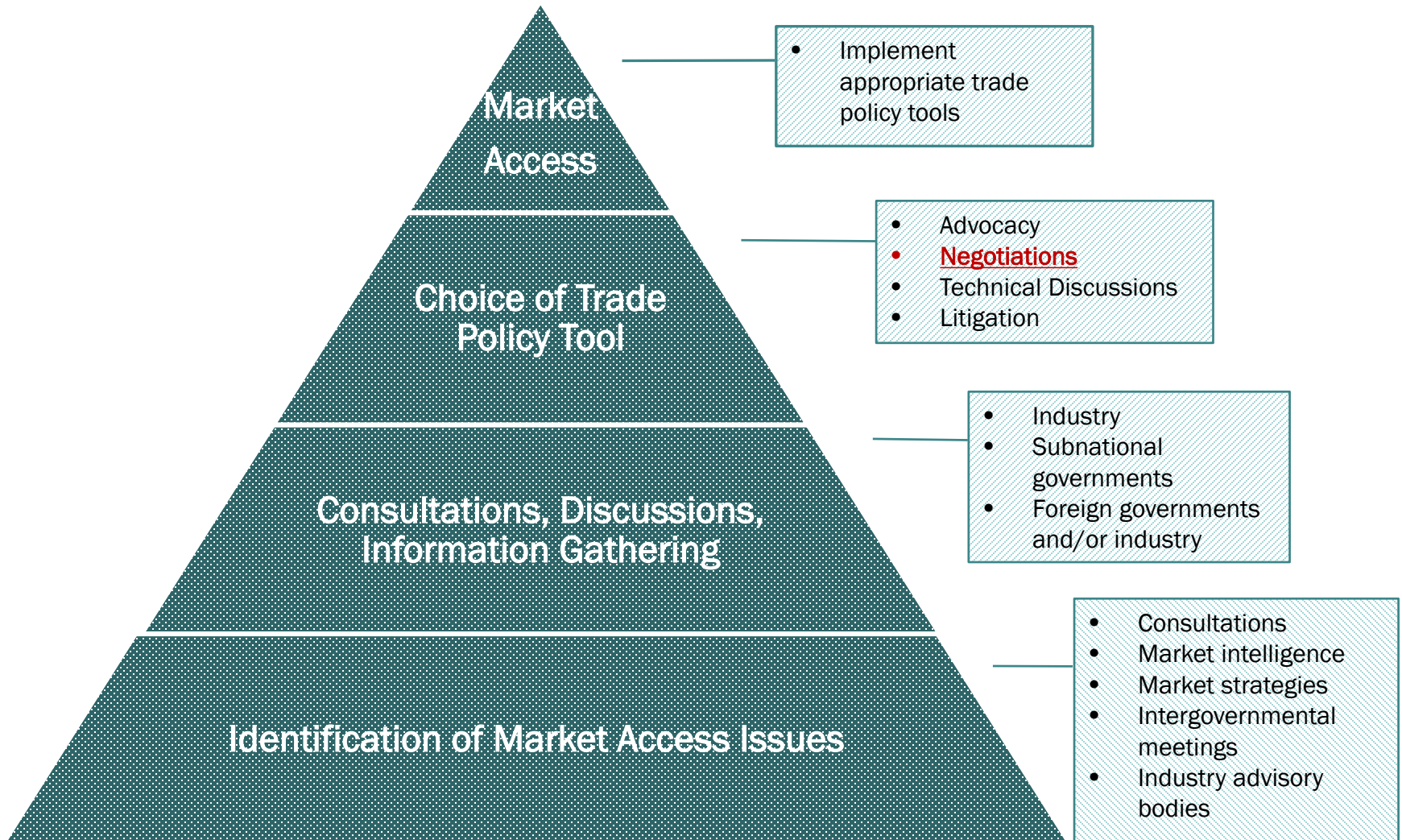
05

Summary

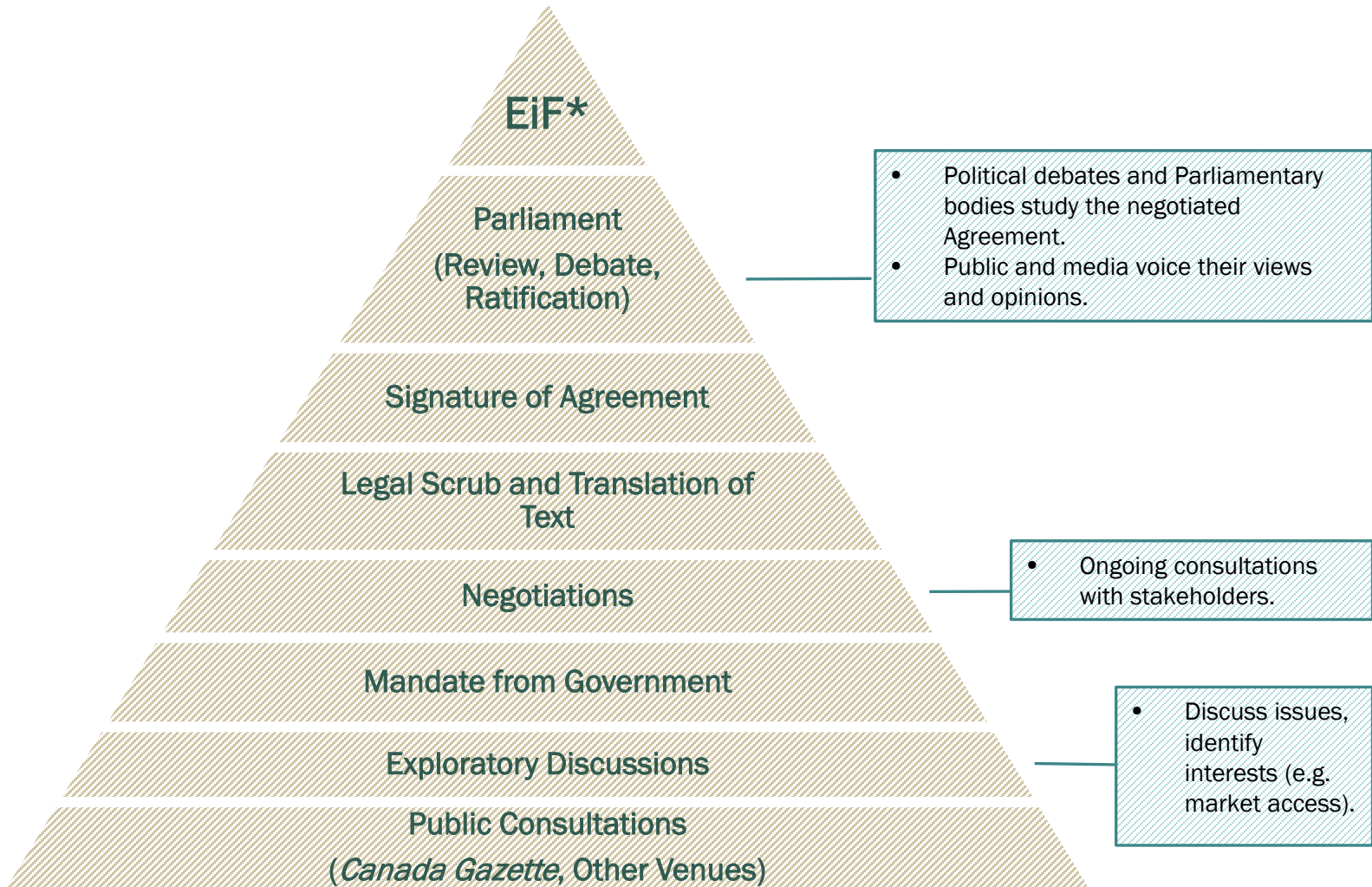
Pages 11

- + *Takeaways*

01. TRADE POLICY PROCESS IN A NUTSHELL – THE “TOOLBOX” APPROACH

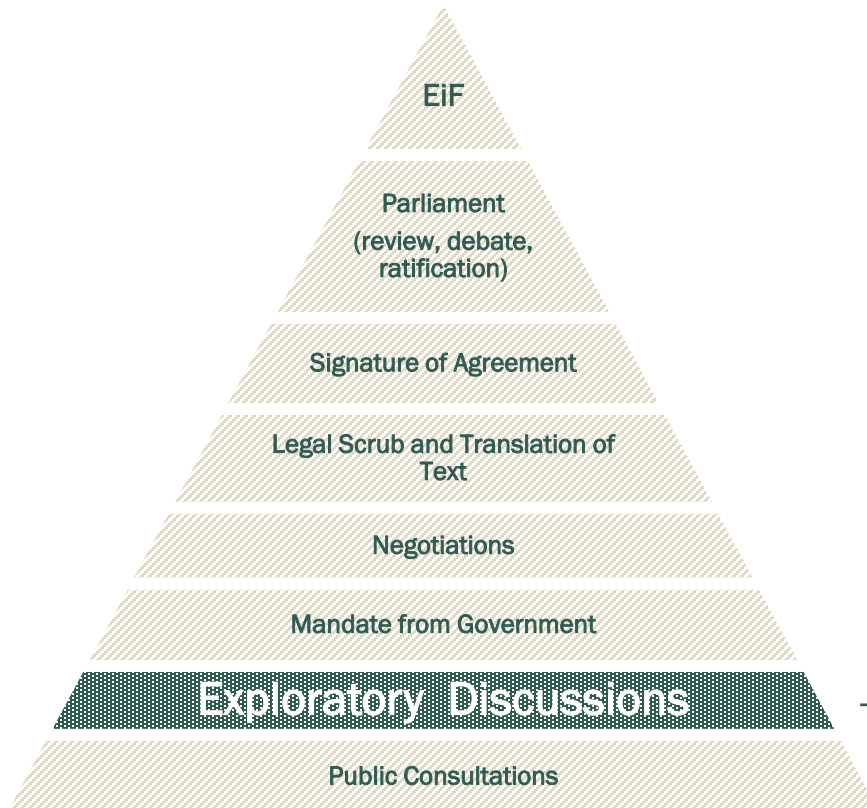


01. TRADE NEGOTIATION PROCESS



* EiF: Entry into Force

01. TRADE NEGOTIATIONS – EXPLORATORY DISCUSSIONS STAGE



Audience:

- Political leadership and staff
- Policymakers
- Potential stakeholders

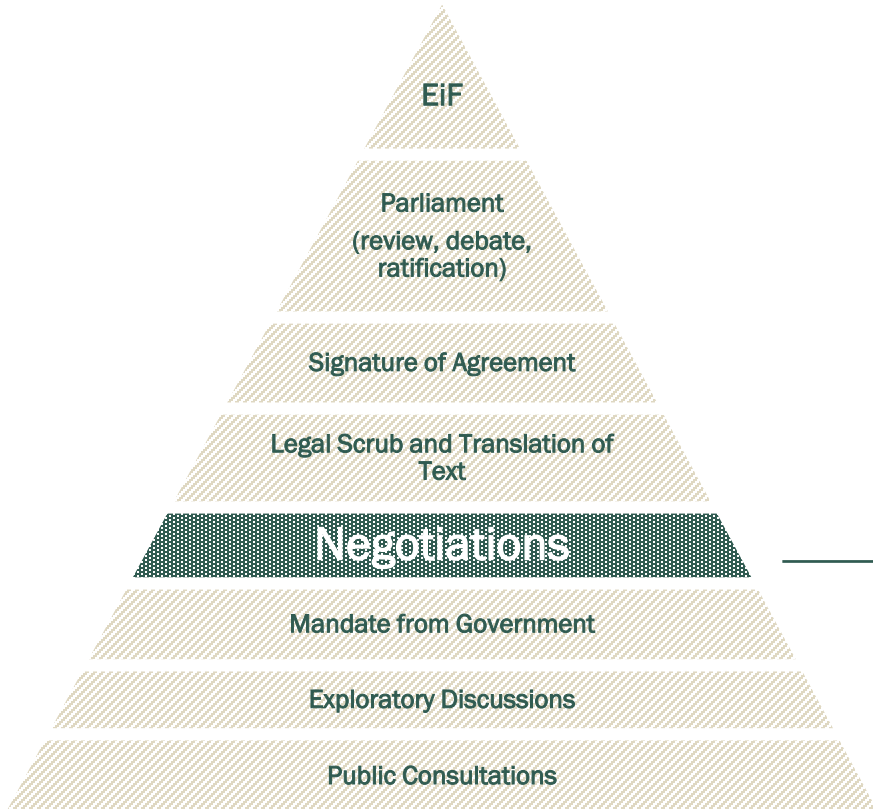
Research objectives:

- Identify interests
- Assess economic complementarities
- Estimate economic costs and benefits
- Score 1st, 2nd, and 3rd best scenarios for potential negotiation outcomes
- Determine whether or not to proceed forward with negotiations

Examples of research:

- General equilibrium models for forecasts of whole economy impacts
- Partial equilibrium models for forecasts of impacts on international and domestic commodity markets
- Forecasts of economic benefits might assume complete liberalization

01. TRADE NEGOTIATIONS – NEGOTIATIONS STAGE



Audience:

- Negotiating teams
- Foreign counterparts
- Interested/affected stakeholders

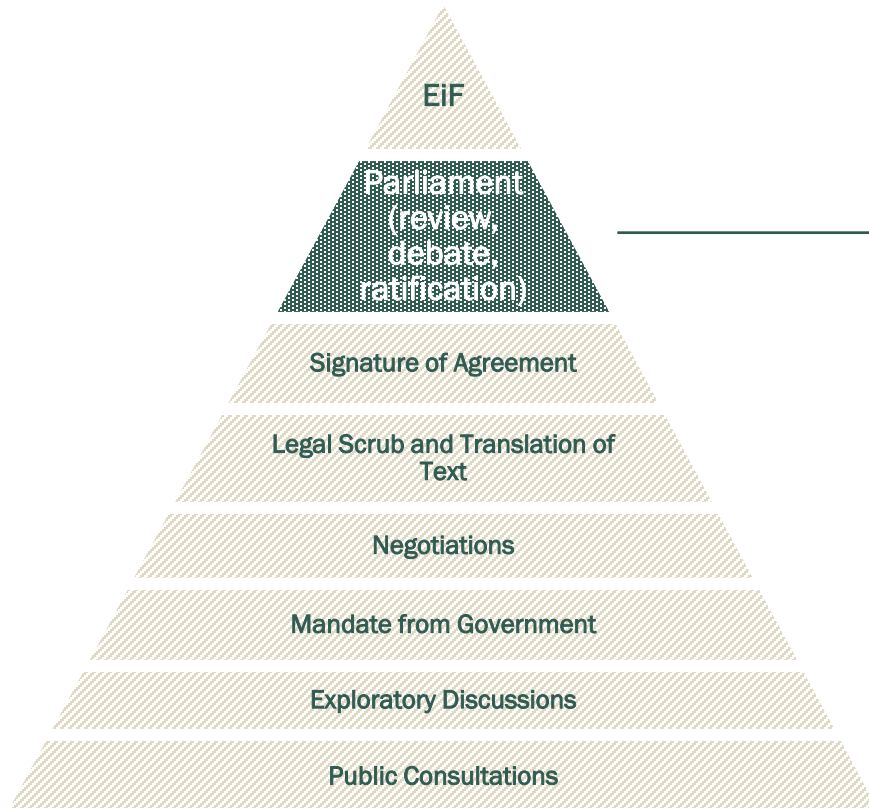
Research objectives:

- Determine negotiating positions and analyse counterparts' offers in terms of traditional (e.g., tariffs, TRQs, safeguards, RoOs) and non-traditional trade issues (e.g., biotechnology, IP, organics)
- Forecast scenarios for potential outcomes and the impacts offensive and defensive interests

Examples of research:

- Both general and partial equilibrium models for sector-specific and firm-level forecasts of potential impacts
- Calculations of potential duty savings
- Projections for future bilateral and multilateral trade flow volumes
- Qualitative analysis, including knowledge of market structure for key commodities and insight into future trade

01. TRADE NEGOTIATIONS – PARLIAMENTARY REVIEW STAGE



Audience:

- Political leadership and staff
- Policymakers
- Industry stakeholders
- Academia, think tanks, and NGOs
- Civil society

Research objectives:

- Use Agreement outcomes to estimate economic costs and benefits with greater precision
- Assess impacts on specific commodity sectors and stakeholders
- Communicate broadly and simply the Agreement outcomes and what they mean for Canadians

Examples of research:

- Forecasts of economic benefits using both general and partial equilibrium models and Agreement outcomes
- Partial equilibrium models for forecasts of domestic commodity markets under different scenarios

02. LEVERAGING ECONOMIC RESEARCH AND ANALYSIS

- More collaboration between trade officials and economic researchers.
- Example: WTO dispute on U.S. Country Of Origin Labeling (COOL).
 - The granularity and precision of research was demanded by policymakers and lawyers.
- Example: Estimation of income impacts of the Trans-Pacific Partnership (TPP) on Canadian farmers.

03. EMERGING THEMES OF TRADE POLICY

- Agricultural trade policy now broadens beyond traditional areas of market access and domestic support, and into new topics.

- *SPS/TBT issues – asynchronous approval of agricultural biotechnology products; low level presence (LLP) for grain shipments; maximum residue limits (MRL) for pesticide use; international standards and guidelines*
- *Trade-related aspects of intellectual property rights (TRIPs) – geographical indications (GIs)*
- *Linkages between trade and environment, biological diversity, and biosafety*

- Relevant, empirically-based economic research can help policymakers better answer key upcoming questions.
 - What are the economic impacts of these emerging issues for domestic producers and consumers?
 - Which priorities should the Government focus on, and how should it intervene?
 - How can our trade policies better pursue inclusive economic growth and maintain support for an open society?

04. RESULTS AND DELIVERY

- Results and delivery is at the core of Government of Canada's commitment to openness and transparency.

"It is my expectation that we will deliver real results and professional government to Canadians. To ensure that we have a strong focus on results, I will expect Cabinet committees and individual ministers to: track and report on the progress of our commitments; assess the effectiveness of our work; and align our resources with priorities, in order to get the results we want and Canadians deserve."

– Minister of Agriculture and Agri-Food Mandate Letter, from the Prime Minister

- Relevant data and analytics essential to ensure:
 - evidence-based decisions anchored in meaningful data and indicators;
 - resources properly aligned to programs and activities;
 - meaningful information communicated back to Canadians/Parliament.

05. TAKEAWAYS

1. *Solid economic analysis essential to policymaking.*

2. *Active dialogue/collaboration between economists and policymakers critical to ensure value/usefulness of policy advice.*

3. *Relevance of economic research/statistics is not enough – tailoring to specific decision-making steps is key.*

Thank you!

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