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

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

Identification of Market Access Issues

Consultations, Discussions, Information Gathering

Choice of Trade Policy Tool

Market Access

- Implement appropriate trade policy tools
- Advocacy
  - Negotiations
  - Technical Discussions
  - Litigation
- Industry
  - Subnational governments
  - Foreign governments and/or industry
- Consultations
  - Market intelligence
  - Market strategies
  - Intergovernmental meetings
  - Industry advisory bodies
01. TRADE NEGOTIATION PROCESS

**EiF***

- Parliament (Review, Debate, Ratification)
- Signature of Agreement
- Legal Scrub and Translation of Text
- Negotiations
- Mandate from Government
- Exploratory Discussions
- Public Consultations (Canada Gazette, Other Venues)

*Political debates and Parliamentary bodies study the negotiated Agreement.*
*Public and media voice their views and opinions.*
*Ongoing consultations with stakeholders.*
*Discuss issues, identify interests (e.g., market access).*

*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

**Negotiations**
- Mandate from Government
- Exploratory Discussions
- Public Consultations
- Signature of Agreement
- Parliament (review, debate, ratification)
- Legal Scrub and Translation of Text
- EIF
**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
• More collaboration between trade officials and economic researchers.

  • 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.
• 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.

“\textit{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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