

## **Summary: GTAP Advisory Board Meeting 2003**

(Dates for next year's meeting: June 14 – 15, 2004 in Washington, D.C.)

### ***A. Summary of Goals and Accomplishments in the Past Year***

For details see the background document on the web site.

### ***B. Summary of Agency Activity in the Past Year***

For details see the individual agency reports on the web site.

### ***C. Major Points of Discussion***

***1. Strategic Planning:*** The Center plans to undertake a strategic planning exercise in the coming year and the Board provided some valuable input and ideas about how to proceed with this activity. Some key points included:

- \* hire an external facilitator
- \* keep expectations down – especially amongst those providing input
- \* conduct a survey of current users of the data base and network members. What were their expectations when buying the data base? Were they disappointed?
- \* have a special place on the web site for collecting input
- \* identify comparable Centers at other institutions and use them as a basis for comparison
- \* go beyond the kind of annual list of goals to be checked off at each year's meeting. Ask where do we want to be in 5 years?
- \* compile gross list of ideas, evaluate them, and generate Center's own list
- \* identify Center's strengths and weaknesses in relation to where it wants to go

***2. Market Access (Protection) Data Base:*** There was considerable discussion of the protection data base at this year's meeting. It appears that we are on the verge of making a major step forward in this area. The areas where we see the potential for major improvements in version 6 are:

- \* the thorough treatment of preferences
- \* a more comprehensive treatment of specific tariffs
- \* supplementary information on bound tariffs so users can evaluate the practical implications of specific offers
- \* supplementary information on anti-dumping duties

Most of the organizations working in this area are drawing on the same sources for the bulk of their information: UNCTAD's TRAINS data base and the individual country notifications to the WTO for the tariff data and the UN's COMTRADE data base for trade flows. However, in some cases additional information is obtained from other sources. Most importantly, there are different ways of handling the data – most notably in the computation of *ad valorem* equivalents of specific tariffs, the treatment of tariff rate quotas, and the procedures for tariff aggregation. These can give rise to very different

tariffs at the GTAP level of aggregation. In the case of specific tariffs the most central issue seems to be which unit value to use in converting to *ad valorem* values. CEPII is a strong advocate of adopting bilateral unit values – either for exporter in question – or for their reference group. Paul Gibson has used world unit values in processing the AMAD data for version 5. In order to isolate the importance of these competing assumptions, it would be useful to have the *ad valorem* equivalent of specific tariffs reported in a separate “note to accounts” so that they can be pulled out of the total tariff.

In the case of tariff aggregation, it is well-known that weighting tariffs by observed trade flows results in an underestimation of the protection afforded. In fact, prohibitive tariffs are completely ignored in this approach. Nevertheless, this is the approach currently taken in GTAP. CEPII has adopted a different approach to this problem. By using trade weights from a larger “reference group” of importers, this downward bias is reduced. In order to establish the importance of this approach, we hope to obtain both actual trade-weighted and reference group trade-weighted protection from the CEPII/ITC-Geneva team.

By providing detailed comparisons across these different protection data bases/approaches, we hope to facilitate constructive debate and forward progress in this area over the coming year. This is also an area where one or more GTAP technical papers could play a valuable role.

There was also some discussion at the board meeting – as well as in follow-up emails about the importance of estimating actual tariff revenues – which are often far less than the value predicted by simply applying GTAP tariff rates to reconciled trade flows. Bridging this gap will be important as we seek to bring more public finance detail into the GTAP data base (see next year’s goals below).

The other exciting development in the protection area is the possibility of making disaggregated tariff data available to GTAP users. My understanding is that the WITS system will be made publicly available (portable WITS) with 2001 data by the end of this summer. This would enable users to construct their own tariff reduction scenarios for use in GTAP analyses.

There was also some discussion on non-tariff barriers. Robert Koopman reported that there is a joint project between the US-ITC and the Australian Productivity Commission underway that culminate in a conference in Bangkok in fall, 2003. It is recognized that the theoretical development regarding NTBs is not yet ripe. GTAP simply continues to include notional sets of empty headers for anti-dumping duties, price undertakings and VERs in the database. However, we will encourage the organizers of this conference to identify promising speakers who might be encouraged to attend the 2004 Conference and present their work.

**3. Data base quality assurance:** The board was pleased with progress in this area involving:

- \* greatly improved communications with contributors
- \* progress in communicating what FIT does and analysis of discrepancies between domestic data bases and international targets
- \* analysis of self-employment and the composition of value-added

The Center will continue to make these high priorities in the coming year. It was also suggested that we should try to get more “country notes” from the contributors and develop more specific guidelines for the disaggregation of value-added.

**4. *Parameter estimation and model validation:*** The board was pleased with progress made in this area (trade elasticities and consumer demand) and would like to see this research continued. Development of a time series CGE data base at the US-ITC should help to fuel future work on model validation. There was also a sense that the Center should continue to build links with researchers conducting econometric research on international trade issues.

#### **D. *Other Important Points***

**1. *New national data bases:*** Sherman Robinson noted that IFPRI and the UNDP are just completing a major project in Latin America, the by-product of which is a set of a dozen or so Social Accounting Matrices. We plan to explore the cost and feasibility of bringing these into GTAP version 6. The IDB and US-ITC are both possible supporters of such an effort.

**2. *Domestic Support:*** Soren Frandsen pointed out that subsidies on some important commodities such as cotton (under GTAP sector plant-based fibers) are not included in the current treatment of domestic support in GTAP. Inclusion of these commodities which are currently lumped under miscellaneous commodities in the OECD PSE data will require cooperation from the OECD. It was also suggested that additional information on domestic support may be available for non-OECD countries.

**3. *Interim releases for version 5:*** The board was pleased with the new system of generating interim releases for version 5. In general, the management of the GTAP data base by Betina Dimaranan and Robert McDougall received high marks.

**4. *Data base distribution to contributors:*** It was decided by the board to increase the benefits to data base contributors – and simplify the Center’s job of distributing prereleases. The basic idea is to include data base contributors in the full cycle of data base releases associated with the version to which they have contributed.

**5. *Data base sales for version 6:*** The board approved a proposal to make version 5.4 available to buyers of the version 6 data base. The basic idea is to make available to the general public the important new developments since version 5.0. These include the introduction of new regions especially Russia and the CEEC and revision of the IO tables for the Southeast Asian countries and various bug fixes.

**6. Access to FIT:** Some members of the board expressed the importance in of having the FIT facility available to them. The FIT demo prepared by Rob McDougall and Melanie Bacou was well received. The importance of having a short course on data base construction and eventually of open-sourcing was again discussed.

**7. GTAP web site and conference support:** The board was once again complementary of Melanie Bacou’s development of the GTAP web site. We hope to use it even more heavily in conference organization and registration in 2004.

**8. Election of Research Fellows:** Mary Burfisher, Shih Hsun Hsu, Allan Rae, David Tarr, Dominique van der Mensbrugge, and Glenn Harrison? were voted as research fellows for 2003-2004?

### ***E. Schedule for Version 6***

The projected schedule for version 6 of the GTAP data base is as follows:

Date	Release	Remarks
31 Aug 2003	Pre-release 1	includes 2001 macroeconomic data, bilateral trade data, some new protection data
30 Sep 2003	Pre-release 2	includes energy data, new/revised I-O tables, more protection data
31 Oct 2003	Pre-release 3	includes agricultural I-O data, bilateral services trade data
30 Nov 2003	Final Release	includes ancillary tables – macro and trade time series
29 Feb 2004	Public Release	includes documentation

### ***F. Goals for the coming year***

There was extensive discussion of strategic issues and goals during the board meeting. The following is a synthesis of these discussions as well as a few Center-specific goals for the coming year.

1. Release the version 6 GTAP data base.
2. Compare protection data bases from different sources (WITS/TRAINS, CEPII, AMAD), seek to understand their differences, and determine the best approach to characterizing protection in the version 6 data base. Our goal is for version 6 to reflect preferences as well as specific tariffs. We hope to include bound rates as well as anti-dumping duties as part of the “notes to accounts” section of the data base.
3. Introduce bilateral information on direct trade in services

4. Improve the government accounts in GTAP to permit a more accurate treatment of public finance issues. Of particular interest is the inclusion of information on direct taxes and government savings.
5. Produce a prototype version of GTAP with explicit treatment of domestic wholesale/retail/transport margins.
6. Refine and document the dynamic GTAP model in anticipation of a dynamic modeling short course.
7. Continue work on parameter estimation for GTAP and encourage research aimed at model validation.
- 8.. Work on improving the quality of primary factor splits. Of particular concern is the treatment of self-employed labor as well as land across sub-sectors within agriculture. We also need to provide additional guidelines to contributors in this area, as well as requesting sufficient documentation to establish whether or not they have come to grips with these issues. Concern was also raised about the linkage between primary factor splits and domestic support, particularly land rents.
9. Improve the coverage of domestic support data to separately include the commodities that are currently lumped under miscellaneous commodities in the OECD PSE tables. Also try to include domestic support data for non-OECD countries where available.
10. Continue to improve communications with national IO data base contributors. We appear to be on the right track here, but we need to make sure the new system works through the entire version 6 cycle. This will include making pre- and post-FIT information available so that it is possible to establish what changes were required.
11. Conduct a feasibility study on the cost of bringing the IFPRI/UNDP Social Accounting Matrices for Latin America into the GTAP data base. Then attempt to find funding to bring these into version 6.
12. Continue work on a GTAP baseline. This time special interest was expressed in the policy aspect of this baseline, e.g., China's accession to the WTO, various FTAs, etc.
13. Encourage submission of a GTAP technical paper on the topic of adjustment costs. The idea would be to make some add-on code readily available to users with an interest in this topic.
14. Go through a strategic planning process at the Center.
15. Organize the 7<sup>th</sup> annual conference on Global Economic Analysis to be held in Washington, D.C., in June of 2004.
16. Hold the annual GTAP short course at Purdue University in August 2003.