

OECD Summary of GTAP activities 2007-08

GTAP board membership is shared between two directorates: environment directorate (ENV) and the trade and agriculture (TAD) directorate.

TAD Directorate Activities related to GTAP

Agriculture domestic support: new classification

A new PSE classification scheme has recently been adopted and used in the OECD's 2007 Monitoring and Evaluation publication. The key change relates to classification of budget payments that are implemented without a direct link to commodity production. Notable examples include direct payments based on historical parameters (acreage, animal head, income ...) and input subsidies. Commodity specific payments are by definition clearly defined; however for some countries (and for OECD as a whole) the share of these type of payments is declining. Budget payments are now classified as follows:

- Payments based on commodity output
- Payments based on input use
- Payments to groups of commodities
- Payments to all commodities

If the current structure of the GTAP database by "industry" is to be maintained, it is important to ensure that payments in the last three categories are represented as having the same impact on individual commodities within the group(s) of commodities concerned. OECD is currently exploring alternative approaches to dealing with this issue. In that regard, it may be relevant to investigate how the move towards supply-use tables can facilitate the improved accounting of support payments .

Agriculture domestic support: country and commodity coverage

The OECD domestic support database includes both OECD and selected non-OECD countries. Currently, the following non-OECD countries are included: Brazil, China, Russian Federation, South Africa, Ukraine. Future work will include Chile and Israel.

Hsin Huang note that in the EC comments to the GTAP Board there is a suggestion for expanding data related to agricultural policies. From the OECD perspective, the current commodity coverage for OECD countries is (with the single exception of cotton) relatively complete given practical considerations, and in most cases accounts for about 70% of national agricultural production. Greater commodity coverage (mainly to include fruits/vegetables/horticulture) would require much additional effort, and OECD members do not view the additional costs justified. Therefore OECD secretariat does not have plans to do this. The exceptional case of cotton is one in which OECD is continuing negotiations with one of its members. If the GTAP Board deems it desirable to include

cotton subsidies we have no objection, provided that the data is from verifiable government sources.

On the question of including all types of export competition tools, OECD would NOT favor changing the current practice (where export subsidies and taxes are included but not other instruments that might affect export competition). The reasoning is straightforward: the database should only contain data, not economic analysis. We consider the other export competition tools –such as export credits, state trading enterprises – not quantifiable in the same manner as budget expenditures or border measures, and therefore not appropriate to introduce into the database.

Climate change and agriculture

Climate change will have consequences for resource use and lead to shifts in land use between activities. At the same time, the level and type of agricultural support will continue to influence production decisions. OECD work in 2009-10 will explore optimal policy approaches that will assist the agricultural sector to adapt to measures aimed at stabilizing or reducing long-term atmospheric greenhouse gas levels. Therefore, the OECD places a very high priority of future development of the GTAP land use database (AEZ) and associated database for GHG emissions/carbon sinks.

Non-tariff measures

OECD has launched work on NTMs in agri-food, that tries to address as comprehensive as possible their economic effects (we focus on measures other than those affecting directly prices and quantities) . While recognizing that NTMs may restrict trade (the traditional mercantilist focus of work on NTBs) the work includes possible trade enhancing aspects of NTMs as well as a broader economic welfare assessment. Theoretical work is being complemented by empirical work, and the OECD strongly supports GTAP initiatives concerning the collection of data on NTMs.

ENV Directorate Activities related to GTAP

In spring 2007 OECD\ENV has funded, under a contract with GTAP, the introduction of Liquid Biofuels into the GTAP Database. This GTAP-BIO data base contains 60 commodities (including three new biofuel products) and 87 regions (it is an augmented version of the GTAP V.6.0 database).

Concerning the OECD\ENV specific activities,

In spring 2008 the ENV directorate has launched the “OECD Environmental Outlook to 2030” (www.oecd.org/environment/outlookto2030) that includes a number of analyses that are model based.

Two models have been coupled for this analysis:

- the OECD\ENV directorate model, “Env-linkages” that is fully GTAP based (V6.0)
- the Netherlands MNP model : Image (that partially relies on GTAP elements) .

More details about the modeling approach used in the Outlook could be found in the “Background report to the OECD Environmental Outlook to 2030” (<http://www.mnp.nl/bibliotheek/rapporten/500113001.pdf>)

The studies included in the Outlook are spread in a lot of different chapters:

- Development of a baseline and key variants (sector productivity growth, population growth, ..).
- Fisheries: a study of a 25% reduction in global capture, reduction is accomplished using a world tradable quota system.
- Iron and Steel: a study of changes in pollutant emissions (eg. NOx, SOx and CO2 in response to the imposition of a carbon tax (on all sectors, versus on Iron and Steel only).
- Agriculture and biodiversity: changes in tariffs and subsidies are analyzed for their impacts on land use so that some patterns can be discerned concerning biodiversity and other environmental impacts
- Agriculture and biofuels (using the previous quoted GTAP database) : different scenarios about future of biofuels and their economic impacts are proposed. All put emphasis on important impacts on poorest countries income through rise of agriculture products prices.
- Climate change: sectoral implications of achieving a path of CO2 emissions that stabilize GHG concentrations at 450ppm. The policy assumes that all countries participate and that marginal costs are everywhere made equal.

Planned work 2007/08

A Quantitative Analysis of the Costs of Policies/Policy Mixes to Address Climate Change Mitigation post2012. It is a joint project between the Environment Directorate and the OECD\Economic directorate. It aims at examine the environmental and economic costs/benefits of different combinations of policy instruments and different combinations of country commitments to address climate change mitigation post2012.

It is expected that this analysis will provide essential information for OECD countries in negotiations in the UNFCCC process during late 2008.

Our actual work relies exclusively on climate change policies. At this stage we are still using the GTAP V6 database. Our main concern for the new GTAP V7 is about energy data and energy support policies. We hope switch to the new database very soon (this summer). For the next stage of our project (2008-2009) we will focus on land use changes and related Greenhouse Gases emissions. In this respect we will extensively look at GTAP latest works about these subjects.