

Report to the GTAP Advisory Board Meeting
June 16-17, 2014, Senegal

To: GTAP board

From: Joseph Francois, at large board member

Subject: Activities June 2013-May 2014

Dear board members,

Please accept my apologies for not attending this year. Though I am an at large member and not an institutional representative, as in past years I am submitting an activity report anyway.

1. Database and institutional activities

- a. Public Procurement in GTAP: Through a framework contract between CEPR and DG Trade of the European Commission, the Purdue center research staff are now working on extensions to the basic GTAP database and framework to better represent public procurement. This follows recommendations made to the board in past years. Special thanks should be given to Lucian Cernat for taking this plea seriously and finding a way to support the database updating. I assume the GTAP team will explain the project itself during the board meeting.
- b. NTB data -- PRONTO: After a multi-year application and negotiation process, we (a consortium based at the WTI, and working with CEPR) have secured a 4 year collaborative research grant to work on quantifying and disseminating indicator data on NTBs. The project, PRONTO (PRoductivity, Non tariff barriers, and Openness) involves a number of universities and international organizations. It should complement related work by consortium members.

Research centers:

Universitaet Bern, University College Dublin, Ecorys Nederland B.V., London School Of Economics And Political Science, Centro Studi Luca D'agliano (Milan), Ecole D'economie De Paris (Pse), Stichting Dienst Landbouwkundig Onderzoek (Dlo The Hague), Athens University Of Economics And Business, Wiener Institut Fur Interntionale Wirtschaftsvergleiche, University Of Surrey, Centre For Economic Policy Research Ltd

International organizations: UNITC, UNCTAD, WTO, World Bank, EC (DG Trade), OECD.

I am scientific coordinator for the project. Marion Jansen (now chief economist at UNITC) is the coordinator for the international organizations. The project is a 4 year, multi million euro project, and we have the aim of integrating existing sources of NTB data (so working with the UN agencies to develop a common dissemination structure), extend methodologies for estimating the trade cost impact of NTBs, and develop frameworks for policy analysis, priority ranking, and impact assessment. Final data products will be open access.

- c. Trade Policy Modeling Forum (TPMF): Bernard Hoekman and I have initiated a process, called TPMF, for transparency, model comparison, and benchmarking similar to the exercises conducted under the aegis of the energy-modeling forum. We have had a first organizational meeting, and plan for an initial benchmarking exercise in the Fall. The goal is also to develop a set of transparency (and replicability) guidelines and to provide a repository for documentation material, replication or benchmarking code and datasets, and the like. The initial organizational call is attached.
- d. Linkage-based extended datasets: A small team (Miriam Manchin, Hugo Rojas-Romagosa, Doris Oberdabernig, Patrick Tomberger, and Joseph Francois) has been working to integrate ILO employment data with GTAP-based labor value added flow data to produce a dataset on the worker/jobs content (direct and indirect) of exports at country and industry level. The resulting jobs flow database will be distributed on an open access basis (most likely through the World Bank).

2. Policy Research

- a. EC Parliament Assessment -- Transatlantic Trade and Investment Partnership (TTIP): There have been a number of very visible studies on the T-TIP. Most of these feature the GTAP database. There was even a European Parliament study on the studies, conducted by CEPS. "Detailed Appraisal of the Commission's Impact Assessment Accompanying the Proposal for the EU-US Transatlantic Trade and Investment Partnership," European Parliamentary Research Service, European Parliament (by Jacques Pelkmans et al).

The EC Parliament report concludes: "The GTAP Computable General Equilibrium (CGE model) ... represents the 'state-of-the-art' in economics. The present authors are not aware of any better tool with which to estimate the long-term impacts of such a complicated trade agreement. This approach also has several advantages. First, CGE allows modelling the behaviour of different actors in several markets in the entire economy, including many sectors. Second, the GTAP-8 database (which has been used) provides a powerful and reliable set of data. This matters a lot because the data requirements for many countries... many sectors, ... and for several types of markets and for the baseline scenario are extremely demanding. However, there is no such thing as a perfect economic model. Even this CGE approach has drawbacks, such as the (unrealistically) flexible labour market, the peculiarities of how investments are included, the lack of innovation and productivity-growth effects in enterprises of different sizes.

So: (1) GTAP is the best tool available, but (2) as always people want more things not yet included. This points to the importance of on-going work on firms, procurement, FDI, etc.

- b. Basic research: As usual, my team of post docs and Phd students are working on a range of issues that touch on GTAP data and the core model. This includes carbon flows, global trends, regional trade agreements, and MRIO analysis. Two post docs and one Phd student will be at the GTAP course this year. We (esp. Eddy Bekkers) have also developed a firm heterogeneity module for the GTAP module that involves only a handful of additional equations and solves roughly as fast as the vanilla/standard model. We are running tests and will then make the code available.