

Policy Panel II: Trade Policy

**From the Perspective of European
and Danish Applied Research Institute**

**by
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The Discussion - A Personal View

- **Co-operation is Crucial and Necessary**
In Europe (the European Idea) and Globally (WTO/GTAP)
- **The Discussion of Widening vs. Deepening**
Internal market, Enlargement, Trade Policy
vs.
EMU, Political Integration.....
- **The Role of the Economist**

The European Situation



- **Individual Nations Organised with a Commission**
 - A Commission and 15-2? Individual Countries (game theory)
 - Results from that process is far from optimal but feasible
- **Trade Policy: Everyones responsibility - nobody's ?**

A free playing field for the Commission ?
Who is responsible for the negotiations / positions ?
- **European Impact on the International Scene ?**

Seem relative limited



The Role of the Economist

- **More Focus at the National Policy Makers**
They ought to be more active in trade policy issues
Co-operative Research and Policy Analysis outside Bruxelles ?
- **Stimulate National Discussion of Intern. Issues**
- **Do the Analytics - Continue the Good Work**
- **More Focus on the Story and Communication**



Bridge between Theory and Practice

- One of the tasks is
 - To develop and provide **analytical tools and methods** for policy-relevant economic analysis (often with numbers)
 - To **understand the current problems** of the policy makers and to adapt the economic theory to address them (if possible)
 - To provide policy makers in the political debate with **an economic perspective**
 - **To communicate efficiently** and to participate in the debate



What is a (good) CGE analysis?

- Theory
- Data, data and data (i-o-data and much more)
- Behavioural parameters (econometrics)
- Institutional features (distortions, 2. best focus etc.)
- Designing the scenario (know the issue and problem)
- Interpretation of results (substitution and income effects)
- **Communication and dissemination to other than the community of modellers**

A Key Role of the Economist: The Communicator



- The link between the technical biological research and institutional knowledge and the policy makers

Policy makers ↔ Economist/analyst ↔ Tech-bio-institutional expertise

- Provide a framework assembling the knowledge generated (elsewhere)!
- Do the economics and provide well-known indicators !
 - What's relevant and irrelevant aspects ?
 - What's the important data and assumptions driving the results ?
 - What's the essential economic mechanism at stage ?



CGE models at work in Denmark

- Examples where the CGE analyses (did or) might have had an impact:
 - Working group following the WTO negotiations (2000 -)
 - The Idea-Group of the Minister for FAF (1999 -2000)
 - The Governmental Pesticide Committee (1998 -1999)
 - The Group analysing the proposed Law for indoor pig farming (1998)
 - The Governmental Structural Development Committee (1998)
 - The Group analysing the EU modernisation Act (1997)
 - The Group analysing the EU enlargement and the future CAP (1996)



Question

- How should we organise our research in order to retain the academic independence, while at the same time being an integrated part of the policy formation process?

Or

- How do we succeed in having an impact and at the same time keep our independence and academic credibility ?

Suggestions



- **Do your home work!**
 - Participate early in the Process
 - Data, Institutional Features, Policy
 - Well-known Indicators
- **Stress the General vs. the Partial Approach**
 - Industry Lobbyist vs. Macro Story
- **Co-operate with Other Experts**
 - Disciplines the Analysis
 - Credibility and Communication
- **Focus and Discipline the Debate**
 - Core Data and Assumptions
 - Economic Mechanisms