ORGANIZATIONAL MEETING

TRADE POLICY MODELLING FORUM

Scientific Coordinators: **Bernard Hoekman** | European University Institute and Centre for Economic Policy Research
Joseph Francois | Johannes Kepler University and Centre for Economic Policy Research

Badia Fiesolana - Theatre
Via dei Roccettini 9 - San Domenico di Fiesole

PROGRAMME — 17 DECEMBER 2013

Chair: Joe Francois

9:00-11:00 ***Objectives and Operationalization of the TPMF***

General Objectives

Organizational Structure:
- Role of scientific board
- Role of institutional members

Funding models

General Activities

Web dissemination:
- Comparison exercises
- Hosting replication files
- Transparency guidelines

11.00-11.30.1 *Coffee Break*

11.30-13.00 ***Model Assessments and Benchmarking***

Model assessments:
- Structure
- Reporting
- Technical transparency

Policy benchmarking assessments:
- Structure

- Reporting
- Technical transparency

Further discussion on transparency guidelines

13.00 *Lunch*

BACKGROUND NOTE:

TRADE POLICY MODELLING FORUM

Joseph Francois and **Bernard Hoekman**

December 2013

Motivation and background

Ex ante and ex post assessments of trade policy initiatives are commonly undertaken at the request of governments by research policy institutes, academics, consultancy firms and international organizations. In some jurisdictions ex ante evaluations of the impacts of proposed trade negotiations have become a standard part of the process of consultations with stakeholders and an element for obtaining approval for the launch of negotiations and the eventual outcome of the negotiations. The GTAP consortium has played a major role in allowing such assessments to be undertaken by analysts, as have complementary efforts by international bodies to collect data on trade policies.

The focus of trade agreements is increasingly on nontariff policies of various kinds that affect trade, including instruments that are primarily domestic in nature and that seek to achieve national objectives such as human, animal and plant health, mitigation of climate change, and sectoral regulation to offset market failures of different types. Moreover, technology in increasing the tradability of products, including services. Supply chain trade is allowing firms to allocate tasks to different locations around the globe, with important implications for trade and other economic policies and the pecuniary spill-overs that are generated by such policies.

Approaches to modelling the effects of such "behind-the-border" policies and regulatory measures are much less standardized than modelling of tariffs and related policies that increase trade costs. As a result, analysts often obtain very different results when assessing the economic impacts of policy initiatives that aim at promoting greater integration of markets. These large differences in results are often not straightforward to understand and explain to policymakers and stakeholders. In part this reflects an absence of full transparency as regards assumptions made and approaches used by analysts to measure and to model policies; in part it reflects differences in behavioural assumptions and datasets that are used. The end result is that there is substantial scope for citizens and policymakers to make incorrect inferences regarding the potential economic effects of policy initiatives, both as regards magnitudes and the distributional impacts.

The proposed Trade Policy Modelling Forum (TPMF) is a mechanism that aims at improving this situation. We view trade as a broad tent, including MNEs as well as direct trade.

Objectives

The Forum Seeks to:

- Promote technical transparency and better understanding of applied, real time ex-ante analysis of trade and foreign investment policy and negotiations through harnessing the collective capabilities of participating experts to explain the strengths, limitations and caveats of alternative analytical approaches.

- Promote technical transparency and better understanding of policy benchmarking and measurement in a manner relevant for applied analysis of trade and foreign investment policies and negotiations.
- To identify high priority directions for future research, based on technical review by practitioners/participants of issues and applications linked to assessment of trade and foreign investment policy and benchmarking of policies.
- Promote guidelines for documentation and replication of computational tools used in assessments of trade and foreign investment policy.
- Serve as a repository for model/application archives that meet guidelines for transparency and documentation.
- Serve as a clearinghouse/repository for trade and investment policy benchmarking estimates.

Operation

Computational model assessments: The forum will organize periodic technical workshops, under the guidance of its scientific committee, to assess applied policy models. In technical workshops, the focus will be a particular policy application, using common datasets and common baseline experiments. Participants may cover additional experiments, but are all expected to work within the common data, baselines, and experiments. The model applications will be shared, and participants will replicate each others' experiments. The end goal is a technical write-up on each model (which can serve as technical documents under transparency guidelines) and a less technical summary document that describes the set of experiments and applications, the limitations identified, and recommendations for research.

Policy benchmarking assessments: The forum will organize periodic technical workshops on the benchmarking of trade and investment policies in a manner useful for real time policy assessment. The structure of these workshops will mirror the technical assessment of applied policy models.

Working groups: Both computational and benchmarking assessments will be organized around working groups, structured around a single topic and managed through the Scientific Committee. Individuals invited to participate in a study are considered to have expertise in the topic under investigation. A working group should reflect a balance of model builders, policy analysts and users.