

Myanmar and the Asia-Pacific region:
Role of policy research in economic and trade reforms
19-21 February 2015, Yangon

**Tools for trade policy analysis:
examples from impact assessment of FTAs**

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Points to be raised

- Researchers must understand the needs of policymakers in terms of what policy questions they face
- The second stage is choosing the right tool(s) from the menu.
 - Often, there is more than one alternative.
 - The choice should be dictated by policy questions
 - Questions requiring ex-ante and ex-post analyses require different tools
- Problems would arise if researchers choose the tools that are not appropriate to answer your questions.
 - Researchers need to understand the advantages and disadvantages (limitations) of each tool

Policy questions at different stages of policymaking

- Before negotiation of an FTA: An analysis of potential costs and benefits (ex-ante)
 - What a country can supply to its FTA partners? What it can source from the partners?
 - What are expected impacts on production and employment level and composition, welfare, fiscal balance, etc.
 - What are the costs of necessary adjustment policies for the adversely affected sectors?
- After its implementation: An impact assessment (ex-post)
 - Whether the impacts are within the expected range?
 - Whether the expected benefits are fully materialized?
 - Whether further adjustment policies are necessary?

Context of the questions and availability of resources dictate the choice of methodology

- Whether the focus is the impacts at macroeconomic level or industry level ?
- Whether ex-post questions or ex-ante questions are being asked?
- Whether the required data are available?
- How much time and resources (technology, human capital, and money) are available?

What will be the potential effects of an FTA?

Tools:

1. Making inferences from trade indicators
2. Estimating the potential effects on an individual product
3. Estimating the potential effects on the whole economy

They are complementary with different strength/weakness and different (explicit and/or implicit) assumptions

What will be the potential effects of an FTA?

1. Making inferences from descriptive statistics / trade indicators
2. Estimating the potential effects on an individual product
3. Estimating the potential effects on the whole economy

What could be relevant to analyze ?

- How much of trade is intraregional?
 - Will the proposed FTA promote trade between trading partners? Are they then “natural” trading partners?
- What is the comparative advantage of each member?
 - Which sectors are likely to have export (import) potential?
- Is export of a particular good regionally oriented?
 - How strong is a regional bias (if there is one)?
- How complementary is trade between a given pair of FTA members?
 - To what extent the export pattern of a country matches the import pattern of a region?
- What is a degree of similarity between partners’ exports?
 - To what extent a country’s export profile overlaps with other FTA members?

Limitations

- They cannot provide precise numbers that quantify the effect of an FTA on trade, production, consumption, or welfare
- They can be meaningless or misleading if data are unsuitably classified
 - Trade classifications do not match a country's production structure
 - Data are too aggregated

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