The contribution of applied general equilibrium analysis for agricultural policy analysis: introduction

Manuskript, zu finden in www.fal.de

Braunschweig
Bundesforschungsanstalt für Landwirtschaft (FAL)
1999

Also available at:
http://www.ma.fal.de/en/documents/GTAPbrockmeier_e.PPT
The Contribution of

Applied General Equilibrium Analysis

for Agricultural Policy Analysis

Introduction

Martina Brockmeier
Changes in the Environment of the EU–Agricultural Sector due to changes of policy and economic fundamentals:

- Liberalization of agricultural policies (e.g., Agenda 2000)
- Multilateral liberalization (e.g., WTO)
- Regional trade agreements (e.g., EU Enlargement)
- Increased division of labor
- Reduced transport and communication costs

Integration of the agricultural sector into national and world economies leads to increased demand for economy-wide and/or global quantitative analyses of policies affecting the agricultural sector.
What kind of framework is necessary to conduct economy wide or global quantitative analysis?

- Applied General Equilibrium (AGE) models are increasingly used for economy wide and global quantitative analysis.
- AGE models provide an elaborate and realistic representation of the economy including the linkages between farming, agribusiness, industrial and service sectors.
- AGE models permit unique insights into the effects of changes in the economic and political environment throughout the whole economy.

But how about the data ...?
Data Issues of AGE – Models

- Where do we get the data for AGE models? How can we lower the costs of putting the data base for AGE models together?

- Is the data and particularly the data for the agricultural sector reliable?

- Are we confident in the results of AGE models?

- How about the parameters of the model?
How about AGE Models and other Models?

➢ Is there a competition between partial and general equilibrium models?

➢ Are we able to create one model which explains (almost) the whole world?

➢ Should we use AGE models in conjunction with other type of models?
  - links to single region AGE models
  - links to PE econometric work