

**Aus dem Institut für Marktanalyse und Agrarhandelspolitik**

**Martina Brockmeier**

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

Manuskript, zu finden in [www.fal.de](http://www.fal.de)

**Braunschweig  
Bundesforschungsanstalt für Landwirtschaft (FAL)  
1999**

Also available at:  
[http://www.ma.fal.de/en/documents/GTAPbrockmeier\\_e.PPT](http://www.ma.fal.de/en/documents/GTAPbrockmeier_e.PPT)

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Applied General Equilibrium Analysis  
for Agricultural Policy Analysis**

**Introduction**

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# Changes in the Environment of the EU-Agricultural Sector due to changes of

## policy


- liberalization of agricultural policies (e.g. Agenda 2000)
- multilateral liberalization (e.g. WTO)
- regional trade agreements (e.g. EU Enlargement)

## economic fundamentals

- increased division of labor
- reduced transport and communication costs



integration of the agricultural sector into  
national and world economies



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