

## Impact case study (REF3)

<b>Institution:</b> University of Cambridge		
<b>Unit of Assessment:</b> 16 – Economics & Econometrics		
<b>Title of case study:</b> Trade policy post-Brexit: Capacity building, trade remedies and food standards		
<b>Period when the underpinning research was undertaken:</b> 2013 to date		
<b>Details of staff conducting the underpinning research from the submitting unit:</b>		
<b>Name(s):</b>	<b>Role(s) (e.g. job title):</b>	<b>Period(s) employed by submitting HEI:</b>
Dr Meredith Crowley	Reader, Faculty of Economics	September 2013 to date
<b>Period when the claimed impact occurred:</b> 2017 to date		
<b>Is this case study continued from a case study submitted in 2014?</b> No		
<b>1. Summary of the impact</b> (indicative maximum 100 words)		
<p>This case study demonstrates Dr Crowley's impact on trade policy post-Brexit. Firstly, Crowley used her research and expertise to support the building of essential trade policy capacity in Whitehall, in the wake of the decision to leave the European Union (EU) in 2016. Secondly, Crowley provided the research backing for the creation of an independent Trade Remedies Authority that has been enshrined into the Trade Bill (2017-2019 and 2019-2021), allowing the United Kingdom (UK) to minimize the economic cost of future trade shocks by enabling temporary tariffs without breaking World Trade Organization (WTO) rules. Lastly, Crowley made policy recommendations, designed to preserve animal welfare standards in food production for imports, that were included in the National Food Strategy (July 2020).</p>		
<b>2. Underpinning research</b> (indicative maximum 500 words)		
<p>The decision to leave the EU in 2016 created an urgent need for research to inform the development of an independent UK trade policy, and for research to help build trade policy capacity. Crowley's research at Cambridge brings together deep economic, institutional, and legal knowledge about the details of how trade policy is conducted and negotiated in practice under the constraints imposed by the WTO [R2] with timely research on exporters' response to trade policy uncertainty [R5].</p>		
<u>Trade policy capacity</u>		
<p>Trade policy is complex and the devil is in the detail. Research conducted by Crowley at Cambridge [R2] explores the functioning of trade agreements and the details of trade policy in the world trading system. The research [R2] provides a comprehensive assessment of trade policy for 58 high, middle, and low-income countries. [R2] integrates findings from previous work with new data to address five questions about contemporary trade policy which are essential building blocks for designing policy: (1) Do some countries have more liberal trading regimes than others? (2) Within countries, which industries receive the most import protection? (3) How do trade policies change over time? (4) Do countries discriminate among their trading partners when setting trade policy? (5) How liberalized is world trade? The multiplicity of overlapping and intersecting agreements governing trade as well as national, regional, and sectoral variation in how policies are implemented imply that assessing and designing trade policy is complex. [R5] quantifies the importance for exporters of having a trade policy framework that reduces uncertainty about tariffs and other trade costs.</p>		
<u>The social value of trade remedies</u>		
<p>Research by Crowley [R1] makes a positive case for the use of trade remedies that allow governments to impose specific bilateral import restrictions within the larger context of the WTO agreement. The conventional wisdom in the academic literature, as represented, for example, by the influential article by Staiger and Wolak in Brookings Papers on Economic Activity from 1994,</p>		

is that trade remedies raise costs for consumers and reduce welfare. Contrary to this, Crowley's research [R1] shows that trade remedies serve a socially beneficial function in multilateral trade agreements. They help countries to maintain their international commitment to free trade in the face of unexpected import volume shocks that cause temporary losses to domestic industries. The research [R1] demonstrates that the optimally designed trade agreement will build-in mechanisms for temporary and partial reductions in the degree of free trade among countries. Although such temporary trade remedies do have some negative impacts as suggested by conventional wisdom, they are desirable because they facilitate a more liberal trade policy than could otherwise be maintained. The direct policy implication of this research is that trade remedies are an important part of a country's trade policy; a corollary is that limiting their use can undermine the larger multilateral system of liberal trade.

#### Maintaining food production standards in new trade agreements

In a series of inter-disciplinary articles written with colleagues from Law, Crowley made the academic case for greater flexibility over the use of domestic policy [R3] and trade remedies [R4] within the WTO system. In assessing the WTO Appellate Body's decision in a recent WTO trade dispute on animal welfare standards for imports, Crowley [R3] argues that the WTO Agreements support a government's right to impose its own production standards for animal welfare on imports. The research [R3] shows how a country can, in a WTO-compliant manner, limit imports through a government-authorized verification program of animal treatment in production, and points out that tariffs cannot under WTO rules be set according to product processes and standards. Crowley demonstrates that such a verification programme can raise social welfare by addressing an information problem. Crowley [R4] analyses the shortcomings in the WTO Agreements and argues that new rules on state intervention in markets are needed to address problems that arise when state intervention impacts global trade flows.

### 3. References to the research (indicative maximum of six references)

- R1. Bown, C. P., & Crowley, M. A. (2014). Emerging economies, trade policy, and macroeconomic shocks. *Journal of Development Economics*, 111, 261-273. DOI: [10.1016/j.jdeveco.2014.05.001](https://doi.org/10.1016/j.jdeveco.2014.05.001)
- R2. Bown, C. P., & Crowley, M. A. (2016). The Empirical Landscape of Trade Policy. In Kyle Bagwell, Robert W. Staiger (eds.) *Handbook of Commercial Policy*, Vol. 1, pp. 3-108. North-Holland. DOI: [10.1016/bs.hescop.2016.04.015](https://doi.org/10.1016/bs.hescop.2016.04.015)
- R3. Crowley, M. A., & Howse, R. (2014). Tuna–Dolphin II: a legal and economic analysis of the appellate body report. *World Trade Review*, 13(2), 321-355. DOI: [10.1017/S147474561400010X](https://doi.org/10.1017/S147474561400010X)
- R4. Crowley, M. A., & Hillman, J. A. (2018). Slamming the door on trade policy discretion? The WTO Appellate Body's ruling on market distortions and production costs in EU–biodiesel (Argentina). *World Trade Review*, 17(2), 195-213. DOI: [10.1017/S1474745617000581](https://doi.org/10.1017/S1474745617000581)
- R5. Crowley, M. A., Exton, O., & Han, L. (2020). The looming threat of tariff hikes: Entry into exporting under trade agreement renegotiation. *AEA Papers and Proceedings*, 110, 547-551. DOI: [10.1257/pandp.20201020](https://doi.org/10.1257/pandp.20201020)

Research quality is evidenced by rigorous peer-review from leading field journals [R1, R3 and R4], by being published in prestigious North-Holland handbook [R2], and by being invited to publish in *AEA Papers and Proceedings* [R5]. Also, the research has been supported by competitively won grants from the Economic and Social Research Council (ESRC):

- ESRC. *UK in a Changing Europe Fellowship*. June 2019 to May 2022, GBP487,189. Principal Investigator: Meredith Crowley. ES/T000732/1.
- ESRC. *The impact of trade policy and exchange rate shocks on trade volumes and prices in post-Brexit Britain*. April 2017 to March 2019, GBP266,013. Principal Investigator: Meredith Crowley. ES/R001553/1.

### 4. Details of the impact (indicative maximum 750 words)

The decision of the UK to leave the EU in 2016 left the UK with the task of designing, negotiating, and implementing an independent trade policy, and with the opportunity to design a new National Food Strategy. This case demonstrates how Crowley's expertise and research at Cambridge was sought out by UK officials to support building of trade policy capacity in Whitehall, and how her research impacted on the creation of a UK Trade Remedies Authority and on the National Food Strategy (NFS).

#### Building trade policy capacity in Whitehall

Since the UK had not negotiated its trade policy independently since 1973, the skills and experience available in Whitehall to do so were severely limited in 2016 when the new Department of International Trade (DIT) and the Department for Exiting the European Union (DExEU) were set up from scratch. DIT's Annual Reports repeatedly outlined risks around the ability to build capacity to deliver an independent trade policy.

From early 2017, Crowley was sought out by UK officials to support building of trade policy capacity through policy workshops and technical training, one-to-one discussions with policymakers, and lengthy questions-and-answers sessions. Her empirical research on trade policy [R1, R5] along with her research on the rules of international trade and the WTO [R2, R3, R4] put her in a unique position to build such capacity.

Prior to the Trade Bill being put before Parliament in November 2017, Crowley held six policy workshops and meetings with staff from DIT, including Chief Economist Richard Price, Deputy Director of Trade Policy Analysis Jeremy Kempton, and Deputy Director of Trade Disputes and Market Access Victor Platten, a policy meeting with staff from HM Treasury, including two Deputy Directors, a strategy meeting with staff from the Department for Environment, Food & Rural Affairs (DEFRA), including Group Strategy Director Emily Miles and Chief Economist John Curnow, and two meetings with staff from the Bank of England. More recently, she has created bespoke seminars for government staff on critical topics. Audiences for these seminars ranged from small groups of elite policymakers such as a talk on "The Future of the World Trading System" [discussing R1, R2, R3, R5] for the UK's Directors General for Exports (John McMahon) and Investment (Mark Slaughter) and the UK's Trade Commissioners in June 2019; to approximately 100 Government Economic Service economists at a June 2020 session on "The Covid Trade Collapse" [discussing R1]; to a retreat for dozens of Foreign & Commonwealth Office (FCO) economists and law specialists in July 2020 on "Trade Agreements with Third Countries" [discussing R2].

In 2019, Crowley was awarded a Senior Fellowship by the ESRC that built on the success of her capacity building activities with policymakers. It included provision for at least four policy workshops and two policy seminars for DIT and other government departments (June 2019 to May 2022). The value of these capacity building activities was strongly endorsed by the Chief Economist at DIT, and the Director of International Agreements and Trade at DExEU was keen to "*emphasize that the knowledge imparted would be of great use to DExEU staff in developing their trade capacity.*" [S1].

#### The social value of trade remedies

A crucial question for the UK's post-Brexit trade policy is whether to adopt a system of trade remedies and if so, in which form. Crowley's research [R1] demonstrates that although trade remedies restrict trade, they are beneficial because they enable a country to react to shocks within the confines of an overall liberal trade regime. The Chief Economist at DIT stated that Crowley's "*research-based assessments came at a crucial time in the development of UK trade policy post-Brexit and her contribution has been significant.*" [S2].

In June 2017, Crowley led a policy seminar for staff at DIT on the social value of trade remedies, on the different US and EU systems for administering trade remedies, and on the options available to the UK in setting up its own system. The audience included Jeremy Kempton (Deputy Director – Trade Policy), Vic Platten (Deputy Director – Trade Disputes), and Amanda

Brooks (Director of Trade Remedies and Market Access). This seminar emphasized the relative merits of a US-style system in which an autonomous agency, sheltered from political pressure, administers trade remedies according to clear economic criteria [R1]. The Chief Economist at DIT stated, *“The research presented to us by Dr Crowley during this seminar was among the inputs which helped to inform our thinking in producing the ‘Trade White Paper’ in October 2017, which outlines the importance of a trade remedies framework to underpin operating an independent trade policy as the UK leaves the EU; and the Trade Bill currently in Parliament will implement this.”* [S2]. During an evidence session to the House of Lords Select Committee on the EU, Crowley commented on the necessity of trade remedies to which Baroness Kennedy responded: *“That was very interesting analysis and quite new evidence for us.”* [S3, p13].

The Trade Bill (based on the Trade White Paper [S4]) was first put before Parliament in November 2017, and contained language calling for the creation of an independent Trade Remedies Authority (TRA) [S5, clauses 5 and 6], in line with the recommendations made by Crowley at the policy seminar. In early 2019, the UK TRA was established to protect Britain from unfair trading practices post-Brexit, initially, as a ‘shadow organization’ within DIT.

#### Maintaining food production standards in new trade agreements

In June 2019, as part of the National Food Strategy [S6], DEFRA commissioned work on the UK’s food regulation system post-Brexit and the role of international trade with aim of preserving high animal standards and protecting the environment.

In November 2019, Crowley was appointed to the National Food Strategy (NFS) Advisory Panel [S6, p5]. In this role, she shared her research on the worldwide use of tariffs and import restrictions in the food and agricultural sectors [R2], as well as her legal and economic analysis of an important WTO dispute over animal welfare standards [R3]. WTO agreements generally prohibit an importing country from imposing standards related to production and process methods on imports and to use tariffs to this effect. Crowley’s research [R3] demonstrates how an importing country can instead introduce a WHO-compliant verification programme to ensure that imports satisfy domestic animal welfare standards. Recommendation 5 of the National Food Strategy Part One (July 2020) reads: *“Verification programmes ... should be established, so that producers wishing to sell into the UK market can, and must, prove they meet these minimum standards.”* [S6, p10].

Crowley also recommended against setting higher tariffs on goods that violated core ethical values regarding animal treatment, as this would violate WTO rules. As the independent lead of the NFS stated: *“Dr. Crowley provided challenge to this idea, backed up by extensive research [R3]. She recommended creation of a verification system enabling consumers more easily to understand whether goods had been produced to the UK’s core standards. The recommendation in the final report ... built directly on Dr Crowley’s work.”* [S7]. Crowley’s evidence to the House of Commons International Trade Committee on 17 June 2020 makes a similar rebuff of the idea explaining that *“in the practice of international trade law, we do not have tariffs set up according to process standards.”* [S8, Q74, p20]. Crowley’s expertise in this area was recognised with an appointment to the Competitiveness Working Group of the Trade and Agriculture Commission.

#### **5. Sources to corroborate the impact** (indicative maximum of 10 references)

- S1. Letter of support from the Director for International Agreements and Trade at the Department for Exiting the European Union (DExEU). Received 6 February 2019.
- S2. Letter of support from the Chief Economist at the Department for International Trade (DIT). Received on 14 December 2020.
- S3. Response of Baroness Kennedy to Crowley’s evidence to the House of Lords Select Committee on the European Union, given on 17 April 2018. Available at: <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/european-union-committee/postbrexit-ukeu-relations/oral/81717.pdf>

- S4. DIT (2017). Trade White Paper: Preparing for our future UK trade policy, published October 2017. Available at: <https://www.gov.uk/government/publications/preparing-for-our-future-uk-trade-policy>
- S5. Both versions of the Trade Bill contain language calling for the creation of an independent Trade Remedies Authority in line with Crowley's recommendations. The Trade Bill (2019 – 2021) is available at: <https://services.parliament.uk/Bills/2019-21/trade.html>. The Trade Bill (2017 – 2019) is available at: <https://services.parliament.uk/bills/2017-19/trade.html>.
- S6. The National Food Strategy (Part One). Published July 2020. Available at: <https://www.nationalfoodstrategy.org/partone/>
- S7. Letter of support from the independent lead of the National Food Strategy. Received on 31 December 2020.
- S8. Oral evidence to the House of Common's International Trade Committee: UK trade negotiations: trade strategy and scrutiny, 17 June 2020. Available at: <https://committees.parliament.uk/oralevidence/545/pdf/>