

**A COMMERCIAL DIPLOMAT'S BRIEF GUIDE TO
ANALYZING A TRADE POLICY ISSUE**

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Introduction

Commercial diplomacy is focused on the resolution of trade-related policy issues. Any policy or government action can become a trade-related policy issue if it impacts on international commerce, i.e., international trade and investment in goods and services. As a result of the globalization of economic activity, the range of issues that can become the subject of attention by commercial diplomats is quite wide, ranging from traditional trade policy tools such as tariffs and quotas to domestic policies such as health and environmental standards, agricultural support policies, banking regulations, and laws on bribery and corruption. Commercial diplomats have the task of resolving such issues through analysis, advocacy, political action, international negotiation and dispute settlement. The purpose of this discussion is to set out a rigorous analytical framework for analyzing any of the issues that become the focus of commercial diplomacy.

How do Trade Related Policy Issues Become the Subject of Commercial Diplomacy?

Before exploring the analytical questions a commercial diplomat must ask, we should examine how a policy issue becomes the target of commercial diplomacy. The initial impetus, more often than not, comes from an enterprise or industry most directly affected by a policy action or government regulation. They can make a policy measure the focus of commercial diplomacy by raising it as a trade related policy issue with foreign decision makers, or by enlisting the advocacy support of lobbyists, politicians, legislators and home government officials. Of course, neither the home government nor the foreign government will accept all trade related policy issues raised by enterprises as legitimate issue for government-to-government discussions or negotiations. In order to persuade government officials to involve themselves in any effort to address a trade related policy issue, commercial diplomats representing the enterprise have to be able to demonstrate (a) that the commercial problem they have identified is caused by an identifiable policy action, (b) that the impact of the measure on international commerce is substantial, and (c) that the policy action constitutes a violation of an international trade provision, or at a minimum, that the government could achieve its desired social objective through alternative measures that create less of a burden on international commerce.

Often, trade or investment problems identified by businessmen as trade-related policy issues turn out to be nothing more than a commercial issue, e.g., a lack of sales due to poor marketing or product design, a low level of demand by consumers, poor management or uncompetitive pricing. In order to persuade government officials to treat a commercial problem such as low export sales as a policy issue the business or industry seeking the change in policy needs to demonstrate that the low sales are the result of a policy action such as a burdensome regulation, rather than the result of commercial factors such as poor product design.

Even where a policy measure can be identified as the source of a commercial problem, the commercial impact may be too small to warrant policy advocacy or policy action by officials. Taking time out to investigate an issue, to advocate policy changes and to build

the consensus necessary to implement changes can be costly in human resources. Therefore, someone from the private sector who wants to persuade officials to take time out from their busy schedule to investigate a policy issue and if necessary to become an advocate for a change in policy will need to demonstrate why the issue is important enough to warrant a commitment of time and political effort.

Third, even if a current policy can be shown to have an undesirable impact on international commerce, there may not be a sufficient rationale for changing policy. The targeted policy action could be fully consistent with international rules and there may not be a viable alternative for pursuing a legitimate social objective. In such cases, even if the policy can be shown to have an important impact on international commerce, there may not be sufficient rationale for changing the measure. Advocates for policy change therefore have to establish either a legal and/or a policy basis for such a change.

The impetus for addressing a policy issue through channels of commercial diplomacy can also come from an issue oriented nongovernmental organization that believes a trade related action is adversely affecting the achievement of a key social objective. In order to persuade trade officials to initiate discussions or negotiations on such an issue, representatives of the organization have to make the case that the trade measure has an identifiable, adverse impact on a legitimate social objective. In other cases, the nongovernmental organization may wish to persuade trade officials that a trade action, such as the imposition of an import ban on certain goods and services is necessary to achieve a desired social objective.

Lastly, the impetus for a change in a trade-related policy can come from either a foreign government or the home government itself. The foreign government may pursue such an initiative as part to reduce barriers to the country's exports. The home government may pursue such an initiative to improve the economic efficiency of its economy or to reduce consumer prices. Officials responsible for implementing the initiative will need to make the case that proposed changes in the policy measures at issue are necessary to achieve the desired trade policy objective, that the proposed changes will not undermine an important social objective of the government, and that a change in the policy can also be justified in terms of good governance and the more effective pursuit of the relevant non-trade objectives.

Clearly Defining the Issue

To summarize, to qualify as a legitimate issue for commercial diplomacy, a trade related policy issue has to have a clear link with international trade or investment, the link has to be substantial, and there has to be a justifiable rationale for the desired change in policy. A statement of the issue needs to describe succinctly the policy measure that is being challenged, the nature and magnitude of the impact on international commerce that creates the desire for a change in the policy (or the nature and magnitude of the impact on any social objectives outside of the trade arena that is creating the desire for a change in a trade measure), and the rationale and justification for the desired change in the policy.

Such a statement of the issue constitutes a definition of the problem that is to be addressed through commercial diplomacy. It should be short and to the point, i.e. no more than a paragraph of few sentences.

A clear definition of the problem is the essential foundation of all efforts in commercial diplomacy. It provides the basis for a clear and well-focused analysis of the issues that need to be addressed in solving the problem. It also provides the basis for effective communication of the issue with superiors, decision makers, other stakeholders and potential allies. As you learn more about the subject and the issues involved you will need to update the statement of the issue/definition of the problem. A need for a change in the definition of the issue may arise as you find out more about the nature of the policy action and the social issues the policy is intended to address, the domestic laws and international rules that apply to the case, or the issues raised by other stakeholders or by foreign governments. Updating your statement of the issue regularly will help you to maintain a clear direction for your analytical and advocacy efforts, and for clear communication of the issue to others.

Analyzing the Issue in Depth

Having defined the issue, the commercial diplomat must analyze the issue in depth. There are many aspects to such an analysis.

- An analysis of the commercial issue has to establish the impact of a policy change on the commercial interests of the key stakeholders at home and abroad.
- A policy analysis of the targeted policy measure has to establish the social policy objectives served by the policy measure, and the alternative policy tools available for achieving the desired objectives.
- A political analysis of interested stakeholders has to lead to an identification of the key stakeholder and their political means for influencing the decision-making process at home and abroad.
- A legal analysis has to identify the relevant domestic and international legal provisions, how these legal provisions can be applied to the issue that has been identified, and any legal issues of interpretation that may affect the application of these legal provisions to the specific case.
- A macroeconomic analysis has to provide an estimate of the economic impact of a policy change on the national economy.
- An institutional analysis that identifies institutional bottlenecks or other institutional issues related to the decision-making process.
- A public relations analysis which determines whether and if so how the press and public opinion are likely to affect the decision-making process.

The Commercial Analysis

International commercial transactions are at the heart of commercial diplomacy. The whole purpose of commercial diplomacy is to facilitate exports, imports, and foreign investment activities by making sure that government policies directed at a wide range of social objectives do not impede these transactions more than is necessary to achieve the desired social goals. We thus have two key focal points for an analysis of a trade related policy issue that is a candidate for commercial diplomacy, namely the commercial aspects of the issue and the policy aspects of the issue.

Since the commercial rationale drives the need for commercial diplomacy, the commercial diplomat must develop an in depth understanding of the commercial impact of alternative policy decisions. The commercial impact needs to be estimated in terms of changes in exports and imports, investments, total sales revenue, market share, growth prospects, costs, employment and wages. In order to make these estimates, the commercial diplomat needs to be able to know enough accounting to be able to read the income statements and balance sheets of individual enterprises, and thereby gain a good understanding of the current condition of the firms or industry impacted by the policy decisions at issue. The commercial diplomat also needs to know enough economics to be able to estimate the impact of various policy decisions on future economic activity. The commercial diplomat does not need to be a professional accountant or economist, but does need to have a basic grounding in these subjects.

The questions a trade analyst should ask about the commercial are as follows:

- Who are the stakeholders with a commercial interest?
- What is their commercial stake in the outcome?
- How does the issue or a solution to the issue affect them?
- What is the impact on their exports and imports? On domestic sales? Overall revenues? Costs? Profits? Market Share? Future growth prospects?

Policy Analysis

Traditionally, trade policy was all about tariffs and quotas, and these policy instruments remain an important, though much less dominant, aspect of commercial diplomacy. Increasingly, however, the government policies that are the subject of commercial diplomacy today are aimed at a wide range of domestic social objectives such as health, safety, environment, consumer protection, stability of infrastructure networks, and so on. The policy issues that arise with respect to tariffs and quotas are relatively simple compared to the policy issues that arise with respect to complex domestic regulations. The policy issue with respect to tariff and quota decisions usually comes down to a trade off between the protection of certain domestic economic activities from international competition and the economic efficiencies and new growth opportunities that can be derived from increased trade. It also involves a redistribution of domestic income between shareholders and workers in protected industries on one hand and consumers as a whole and producers in export-related industries on the other hand.

The policy analysis challenge is much greater when the policy issues involve domestic regulations. The challenge for the commercial diplomat in such cases is to identify alternative policy actions that will achieve the same social benefits as the existing policy instruments, while reducing or eliminating the adverse impact on international commerce. In order to arrive at this outcome, the commercial diplomat first needs to identify the social objectives served by the targeted policy action and how the policy action achieves the desired objective. Identifying the desired social objectives may require extensive legal analysis as well as an interactive dialogue with regulators. We need to know what legislators had in mind when drafting the laws underlying the regulations involved, and we need to know how the perception of the social objectives may have evolved over time. Understanding how the regulation in question achieves the social objective, and how alternative policy actions could be crafted to meet the desired objective may require the collection of a considerable amount of scientific knowledge about the biology, chemistry or physics underlying the regulatory issue.

The questions a trade analyst should ask about the domestic policy issues are as follows:

- What policy areas would be affected by any actions to solve the trade problem? What specific policy objectives would be impacted?
- How do policy objectives relate to trade rules
- What are objective performance measures?
- What alternative policy measures are available to achieve the desired policy objectives?
- What combination of measures would solve the trade problem and preserve other legitimate policy objectives?

Political Stakeholder Analysis

The political challenge for a commercial diplomat is to build consensus in support of a particular outcome in trade-related policy disputes. Decisions on trade-related policy issues get made in a highly political environment. To build a viable political coalition in support of a desired outcome, the commercial diplomat has to identify the stakeholders. A stakeholder is any person or organized group that is affected by a policy decision or has vested interest in the policy, and is able to influence the outcome through political action. In order to shape the outcome of the decision making process, the commercial diplomats not only need to identify all stakeholders who can influence the outcome, but their interests, their views and objectives regarding the policy issue and their means of exercising political influence to affect the outcome.

The purpose of the political analysis is to build the information necessary for building a coalition of stakeholders dedicated to the common purpose of achieving the desired policy reform. In order to make this coalition powerful enough to overcome opposition to the desired reform the commercial diplomat must not only bring together stakeholders who are aware of the issue and ready to use their influence, but also stakeholders who are potential supporters. It may only be necessary to bring the issue to their attention, or to adjust the desired policy outcome to accommodate their interests. The successful

commercial diplomat also seeks to weaken opposition to the desired policy outcome. In order to weaken the opposition, the commercial diplomat may need to accommodate some of their interests, or to persuade them that they stand more to lose by opposition.

Political analysis thus serves to provide the information necessary for successful political strategy. Information about personal relationships between stakeholders and key decision-makers, the ability of particular groups to mobilize voters or to raise campaign contributions for legislative elections all provides the basis for assessing the potential political influence of supporters and opponents. Information about interests and positions provides the basis for shaping the message and the desired policy outcome to make it as attractive as possible to potential supporters and to weaken the opposition.

The questions a trade policy analyst might ask about the politics of a trade-related policy issue is as follows:

- What stakeholders are affected by the trade problem or any effort to solve the trade problem?
- What are their interests? Positions on the problem or possible solutions? Options? Political influence?
- In what way is each stakeholder likely to use political influence to affect the outcome on the issue?

Legal Analysis

Domestic laws and regulations as well as international trade agreements govern most policy actions that affect trade. Legal analysis of trade-related issues can determine whether the trade related problem arises from an administrative decision or from the text of the underlying regulation, law or constitutional provision. Legal analysis can help us determine whether we can solve the problem by persuading an official to change the way a regulation is applied, or whether we need to seek a change in the regulation or the underlying law. To accomplish this, we have to identify and analyze the relevant legal provisions, examine the legislative and regulatory history and review past judicial interpretations. To put it another way, the objective of domestic legal analysis of trade related policy issues is to identify permissible interpretations of applicable laws and regulations, and the extent to which such alternative interpretations would enable us to reduce or eliminate the trade problem.

In applying their policy measures, national and lower governments are bound by the provisions of international trade agreement. The second purpose of legal analysis in commercial diplomacy is to determine whether the targeted policy measures are consistent with all relevant provisions of international trade agreements, or whether they could be challenged. International rules, like domestic laws and regulations, are subject to interpretation, and we may therefore have to identify both the most and the least favorable interpretations. We may also need to investigate how the international rules may constrain possible actions we might take to solve the problem directly.

The questions the trade analyst might ask to shed light on the legal issues involved in addressing a trade related issues are as follows:

- How does the trade problem relate to applicable domestic laws?
 - Is the trade problem created by a failure to implement domestic laws?
 - Is the problem created by an interpretation/implementation of a domestic law?
 - Is the problem created by an arbitrary decision by an official, or by a decision that could be altered in a manner consistent with domestic law?
- How does the trade problem relate to applicable provisions of international trade agreements?
 - Is the problem created by a domestic law, regulation, or policy action that is inconsistent with international trade rules?
 - Is the problem created by a lack of clarity in an international trade provision, or by a failure of an international trade agreement to deal with a government practice that distorts trade?
- What domestic laws and international trade agreements can be invoked to solve the trade problem?
- How do domestic laws and international trade rules constrain possible actions to solve the trade problem?
- What domestic laws and international rules do we take as given and which do we seek to change as part of our effort to solve the trade-related problem?

Economic Analysis

Commercial diplomacy touches not only the commercial interests of individual firms and industries, but also the economic interests of the country as a whole. Countries trade with each other and invest in each other's economies to improve the economic performance of the economy, and thereby increase the standard of living of a country's citizens. Trade allows a country's citizens to concentrate on tasks they are best qualified to perform and to produce the goods and services in which the country enjoys a comparative advantage. By increasing competition, trade also stimulates a country's producers to seek out more efficient production methods and to improve the quality of the goods and services they produce. This in turn increases the productivity and growth of the economy, which in turn translates into higher wages for many workers, lower prices, and a higher standard of living.

Any policy change, however, will affect the distribution of income within the country, leaving some better off and some worse off. This is because trade increases the demand for some goods and services, and by extension the wages of workers employed in those industries, and reduces the demand for other goods and services, and by extension the wages earned by workers in those industries.

National decision makers therefore want to know how a particular trade policy related action would affect the performance of the economy, and the distribution of income between different groups in society. The commercial diplomat therefore has to estimate

the impact of trade policy decisions on trade flows, national economic output, productivity and growth, jobs and wages, consumer prices, industry profits, and income distribution. A basic knowledge of economics and key concepts like price elasticity, and a familiarity with rule of thumb estimating techniques, should allow a trade analyst to approximate some of these values, though state of the art estimates will require the assistance of a professionally trained economist.

The questions the trade policy analyst might ask about the impact of a trade-related policy decision on the national economy are as follows?

- How does the problem affect the economy as a whole, including prices of the traded and non-traded good or service?
- How will it affect trade flows? Production? Productivity? Wage Incomes? Consumer Welfare?

Institutional Analysis

Each government and each department, ministry and agency within individual governments has a set of procedures for making decisions on policy actions. These procedures can get particularly complicated when several departments get involved in a decision, and when legislators seek to influence the outcome either indirectly through behind the scenes advocacy or directly through legislative action. Sometimes decisions get delayed and frustrated not because of substantive disagreements among the various government officials or legislators, but as a result of arguments over bureaucratic turf, or the personal idiosyncrasies of an individual decision maker. One of the issues a commercial diplomat must therefore consider is the institutional process that will be required to get a decision on the desired policy outcome.

First of all, institutional analysis can identify all the officials who are likely to become involved in the decision-making process, and who therefore have to be treated as stakeholders. Second, it will reveal bottlenecks in the decision-making process that may have to be addressed through political action. Often there are alternative institutional paths to a decision, and through astute lobbying the commercial diplomat may be able to influence how and by whom the decision will be made.

The questions the trade analyst might ask to shed light on institutional considerations are as follows?

- What domestic and international institutions and processes are available for addressing the trade problem?
- What institutional issues arise in trying to solve the problem?
- Are there any institutional bottlenecks that need to be addressed?

Analyzing Public Opinion and the Media Treatment of the Issue

Many decisions involving commercial diplomacy are of concern only to groups in society most directly involved in the issue, and get discussed behind the scene without much public awareness and get little treatment in the popular press. At most, such issues may get discussed in periodicals that are focused on the particular industry or policy interest group that is most concerned about the issue. Other decisions, however, are of broad concern to the public and get discussed at length in newspapers, TV broadcasts and radio shows. Public opinion, and by extension the media, can have a major impact on the policy outcome. In these cases, the commercial diplomat needs to understand the concerns that drive public opinion and to address these concerns by shaping both the proposed policy action and the advocacy message. The commercial diplomat must also analyze the views disseminated by the media either indirectly through the treatment of the issue in press reports and news broadcasts, or directly through editorials, in order to shape the further evolution of the story in the press through press releases, interviews, speeches and other channels.

The questions the trade analyst might ask about public opinion and the treatment of the issue by the media are as follows:

- Does public opinion play a role in the problem or any attempts to solve the problem?
- Has either the popular media or the specialized media covered the problem?
- Is the press likely to cover efforts to address the problem?
- What public information initiatives are available to shape public opinion?

Developing the Research Strategy

The multi-disciplinary analysis that underlies commercial diplomacy requires the collection of a great deal of information, and the application of a variety of analytical tools. As was mentioned earlier, the commercial diplomat needs to have a command of the basic analytical tools in a variety of disciplines in order to get a comprehensive grasp the issues that need to be addressed in developing a successful strategy for obtaining a desired outcome on a trade related policy issue. Few commercial diplomats can develop a professional level of knowledge in all the required disciplines, and part of the analytical process is the identification of professional experts and professional studies that can fill in any gaps in professional skills and areas of knowledge.

The amount of information a trade policy analyst may need to collect to prepare a policy issue for decision by superiors is quite large. In order to accomplish this task efficiently, the analyst will need to map out a well-organized research strategy. The first step is to list all the questions that need to be answered, and the most likely sources of information from the Internet, to libraries, professional or industry associations, think tanks, NGO's or individual knowledgeable experts. The analyst will also need to identify the analytical tools that will need to be applied to data, and the extent to which the analyst's own professional skills and knowledge in individual disciplines and areas of knowledge will need to be augmented by professional colleagues with greater professional training in the area.

The questions the trade analyst might ask in putting together the research strategy are as follows:

- What information will I need to analyze all the issues I have mapped out both at home and abroad?
- What sources of information are available?
- What professional skills/expertise will I need to analyze all the issues?
- What professional experts can I consult to fill gaps in my own knowledge and skills?

Analyzing the Factual Data

Having compiled voluminous data and information on all the issues we identified during the research phase, the trade analyst has the challenge of organizing and analyzing the data. Analysis is a process of extracting the implications of the factual data for the trade problem or opportunity we were asked to address. We need to interpret how various laws and regulations apply to the policy issues we have identified. We need to analyze how alternative policy actions will affect the commercial interest of the key stakeholders. We need to evaluate how various policy options will affect the various policy objectives that will concern various stakeholder groups and decision makers. We need to estimate the overall, macroeconomic impact of alternative policy measures on the national economy. We need to assess how variations in policy options will affect the support or opposition of various stakeholder groups, and the relative political influence of these groups.

The analytical section is the section where the analyst adds value to the data collected through research. Obviously, experience generally enhances the value that an individual analyst can provide in this section. Inexperienced analysts frequently confuse prodigious research and the compilation of a large volume of facts as analysis. However, research per se and the compilation of facts, even if it is voluminous, does not constitute analysis. In order to draw meaning from data we must interpret the data, examine its relevance for the case hand, examine the impact of alternative policy outcomes on policy objectives and on the interests of different stakeholder groups, and weigh the relative importance of different factors. Analysis helps us to understand the relevance of the data collected for the decision that has to be made on the desired policy outcome and on the different aspects of the strategy for getting there.

Developing Policy Options and a Recommended Policy Outcome

As the commercial diplomat learns more and more about an issue, the nature of the problem to be solved or the nature of the challenge to be pursued evolves. What may have started out as a fairly simple issue may become increasingly complex, and the fairly straightforward policy solution nature that seemed to provide the answer to the organization's problem turns out not to provide a viable solution to the problem. The reasons may be manifold – the scientific facts may turn out to be more ambiguous or

complicated, research may reveal the existence of an obscure law and regulation; the policy debate could inject a new stakeholder with strong political connections into the picture. For all these reasons it is wise to periodically review the statement of the issue, and the implied solution to the organization's problem.

Having researched and analyzed all aspects of the policy issue, and having updated the statement of the issue, the trade policy analyst is in a position to identify alternative policy options for addressing the issue, to weigh the advantages and disadvantages of each option, and to recommend a preferred policy solution. Some superiors will ask you to present a recommended solution for approval and to explain why they should support it; others will ask you to present a set of options with the pros and cons of each option. Similarly, some superiors will ask you to present a strategy for implementing your recommendation before approving it. As a general matter, you should think through how you intend to implement a recommended option before committing yourself to a specific option.

The recommended policy option and accompanying strategy for implementing it has to take account of all the various aspects of the issue that may have surfaced during the course of your research and analysis— the commercial interests of the key commercial stakeholders, the policy issues that have been raised by politically influential stakeholders, the domestic and international legal requirements, the national economic interest, institutional bottlenecks and the bureaucratic interests of various committees and departments, and public opinion. Not every trade-related policy issue raises a critical legal or economic issue, or is a matter of concern to the general public and the media, but a serious problem in any one of the functional areas could kill a desired policy outcome, even if all other issues have been satisfactorily addressed. A policy proposal that meets all the requisite commercial, political, policy and macroeconomic criteria may nevertheless fail if it violates an obscure legal provision. Similarly, a trade-related policy measure that supports important policy objectives, has many economic benefits, satisfies all legal requirements and is supported by powerful political groups, may nevertheless fail if public opinion is strongly opposed to the measure.

While a critical problem in any of the functional areas – whether in the commercial, political, policy, economic, legal or public relations area - can kill a proposal, a strong case in one area can offset a weak case in another area. A policy proposal that has a strong policy rationale, a strong economic case and strong political support could be adopted even if the law is not clear on the issue.

The commercial diplomat must weigh all the factors in proposing a recommended policy solution to a trade related policy issue. Being able to assess the relative importance of different factors is a matter of experience. The foundation for an informed decision, however, is solid research and analysis. Gaps in the research and analysis can lead to flawed policy recommendations.

Developing a Domestic and International Strategy

You should be prepared to support any policy recommendation you make with a well-developed strategy for obtaining a favorable decision by the domestic and/or foreign officials that will have to agree. Such a strategy should identify potential coalition partners and the message that will win their support, the answers to questions that may be raised by opponents or the media, the legal case and the economic arguments, and a plan for getting the message out to key stake holders and the public.

If the desired policy action involves an action by a foreign government, and you seek to involve the home government in a negotiation with the foreign government, you will first need a strategy for persuading the home government to add the issue to its negotiating agenda with the country (or countries) involved, and secondly a successful negotiating strategy with the foreign government. In other words, when the issue calls for government-to-government negotiations, you need both a domestic political strategy and an international negotiating strategy.

A successful strategy builds synergies and positive feedback loops among supporters and among the different issue areas, while blunting the arguments and the message of opponents.

Putting Together the Decision Memorandum

The commercial diplomat usually acts on behalf of an organization – a government department, ministry or regulatory agency, an industry association or enterprise, a non-governmental organization. Therefore, before adopting a course of action on a particular policy issue, the commercial diplomat must seek the approval of superiors and other stakeholders with a role in the decision-making process. The approval process usually involves the submission of a decision memorandum to everyone who will be participating in the decision.

The senior manager empowered to make a decision for an organization is usually an extremely busy individual, who does not have the time to read through a thick document and sort through voluminous data and information. A decision memorandum therefore has to be relatively short and to the point and well organized. A somewhat longer paper may be attached to the decision memorandum to give the decision maker's staff additional details. The writer of a decision memorandum has to be highly selective in the choice of background information and analysis that is included in the memorandum. Such a memorandum should typically not exceed a few pages, and may need to be as short as one page. While the attachment can be longer, it should include only information that is necessary for making a well-informed decision on the issue. . The attachment itself should be in a format that makes it easy to read, with tables and back-up documents relegated to separate appendixes at the back of the paper. Typically, an analyst will collect several times as much data as should be included in the complete document, and the decision making memorandum itself should include only a small fraction of that data, with the most critical information.

A good decision memorandum above all needs a concisely written introductory paragraph that describes the problem or opportunity from the point of view of the organization, why the issue is important to the organization, the key hurdles that need to be addressed in obtaining a desirable outcome, and the recommended course of action.

The introductory issue section should be followed by

- The Background Section that provides the most relevant background information,
- The Analytical Section that provides the writer's own interpretation of the background data and analysis of the issues that is likely to have a significant bearing on the decision.
- The Option and Recommendation Section that describes available options (if desired by the decision-maker) and a recommended policy outcome, including the rationale for the recommended choice.
- The Strategy Section, which recommends a course of action for implementing the desired outcome

Each of these sections should be subdivided into key topics, with subheadings that provide an outline of the topics addressed, thus allowing the reader a quick overview of the main lines of the argument and allowing the reader to decide which paragraphs to read when time is limited.

Both the background section and the analytical section should cover the commercial and policy issues, the politics, the national economic effects, the relevant legal provisions and the public relations aspects of the issue. All factual material, including numerical data, information about stakeholders and their interests and views, applicable laws and international rules, actions by policy makers, news articles and opinion polls belong into this section. The analytical section should cover the writer's own interpretation and analysis of the data and information presented in the background section. Where we are dealing with a policy issue that involves a foreign government, the information and analysis presented in these sections will need to cover both the situation in the home country and abroad.

Each successive section of the decision memorandum should establish a solid foundation for the next section. Thus the background section should provide all the background information needed to support the analysis provided in the analytical section. The analytical section needs to provide support for the recommended policy outcome and every element of the proposed strategy for obtaining a favorable decision. Background information that does not support an element of the analysis presented in the analytical section can probably be left out of the memorandum without reducing its effectiveness. In fact, leaving unessential information out of the memorandum is likely to enhance its effectiveness. Similarly, analytical observations that do not directly relate to the policy options, the recommended policy outcome or the recommended strategy should also be left out. On the other hand, elements of a recommendation unsupported by analysis, or analysis unsupported by key facts, may call for additions to the paper. Recommendations not backed by analysis are unlikely to impress decision makers unless you are the world's greatest authority on a subject.

The questions the trade analyst might ask before writing the decision memo are as follows:

- What factual background does the decision maker need to make an informed decision?
- What analysis can I add to support the recommended course of action?
- What are the elements of my recommended course of action? How will that solve the trade problem and satisfy other policy requirements?
- What is my strategy for developing the necessary consensus among domestic and foreign stakeholders? For making the legal case? For managing institutional issues? For building broader public support?