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AGRICULTURAL TRADE AND STRUCTURAL ADJUSTMENT IN LESS DEVELOPED COUNTRIES

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The structural adjustment programs (SAPs) undertaken by many less developed countries (LDCs) have typically emphasized the elimination of price distortions. For the economists of the IMF, World Bank, and other donor agencies, prices are considered to be "distorted" if they differ from the world price. Bringing domestic markets into greater harmony with the world market has been central to most SAPs, thus placing trade and trade policy at the heart of these reforms. The first part of this paper describes the origin of SAPs and profiles their main characteristics. The second part details the expected effects of these policy reforms with particular emphasis on agricultural trade and provides some preliminary evidence concerning their actual impact on LDC economies. This evidence suggests that trade policy and exchange rate reform engender fairly sluggish responses in LDCs and may make these countries more vulnerable to world market instability. Policy implications of this analysis are discussed in the conclusion.