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Fred J. Ruppel
Program Coodinator

Stanley M. Fletcher
S-224 Chair

THE EFFECTS OF POLICY CHANGES ON THE INTERNATIONAL BANANA MARKET

Carl Mabbs-Zeno and Barry Krissoff
Economic Research Service, U.S. Department of Agriculture

Banana production and trade is likely to face a different government policy environment in the near future as international pressures on both importers and exporters promote widespread adjustment. The renegotiation of the General Agreement on Tariffs and Trade is promoting trade liberalization, especially by importers. International lenders are requiring reductions in government participation in the economies of debt-ridden countries with particular impact on exchange rate liberalization. The cessation of trade barriers within the European Community in 1992 requires modification of the existing quota arrangements between EC-member countries and individual banana-producing countries.

This paper investigates the impact of several scenarios of policy reform, including:

1. removal of all agricultural policies by producing nations,
2. removal of foreign exchange controls by producing nations,
3. removal of all trade barriers by importing nations, and
4. converting existing import quotas into tariffs.

For each scenario, the effects on market prices and aggregate traded quantities are shown but the distribution of impacts among countries is emphasized. In each scenario there are exporting countries who gain and some that lose trade revenue.