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Fred J. Ruppel
Program Coodinator

Stanley M. Fletcher
S-224 Chair

INWARD-ORIENTED VERSUS OUTWARD-ORIENTED POLICY INSTRUMENTS: THEIR IMPACTS ON THE AGRICULTURAL SECTOR IN THE DOMINICAN REPUBLIC

Dr. Jesus De Los Santos
Instituto Superior de Agricultura, The Dominican Republic

Despite the diverse programs undertaken to improve economic performance, the government of the Dominican Republic (GODR) continues to face sever microeconomic and macroeconomic constraints. These problems stem from the fact that several policy options implemented by GODR have been in conflict. The government has been unwilling to evaluate the impact of alternative policies in order to implement a sensible and consistent set of trade and agricultural policies to guide resource use and bring about balanced economic development. The question of what policies to pursue to enhance economic growth centers around the two basic development strategies, inward-oriented versus outward-oriented, that the country has been pursuing simultaneously.

In this study a price endogenous mathematical programming model is used to simulate the impacts of policy changes on resource use, agricultural production and prices, foreign exchange earning and employment in the agricultural sector of the Dominican Republic. Policy changes categorized as inward-oriented consisted of a policy of food self-sufficiency and a penalty on traditional export crops through an exchange rate differential. Changes in outward-oriented policies consisted of a change in fertilizer prices to reflect the border price, and a reduction in government subsidies in the agricultural sector. Changes in external market conditions, such as a change in the quota assigned to export sugar to the U.S. market were also evaluated. Along with this, measures of nominal and effective rates of protection for a set of selected crops are reported.

This study gives a detailed description of the structure of the agricultural sector and provides an analytical framework that can help in the identification and formulation of alternative economic options for the Dominican Republic.