

Assessing the Impact of Recent Trade Policy Changes in the Banana Market under Alternative Market Structures

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Abstract

The paper focuses on the importance of the assumptions made about market structure and firm behaviors in empirical trade policy analysis. It addresses this issue with reference to recent changes in the EU import regime for bananas, namely the Economic Partnership Agreements and the December 2009 WTO agreement on bananas. The paper's contribution to the literature on the issues addressed is threefold: first it develops two original models which incorporate imperfectly competitive market structures in a spatial modeling framework; then it proposes a methodology to assess the degree of market power in international trading which is applied to the banana market and, finally, it assesses how analysis of the implications of the most recent changes in the EU import regimes for bananas is affected by the assumptions made on the prevailing market structure.

JEL codes: Q17, Q18, F13

Key words: Bananas, Economic Partnership Agreements, WTO, Imperfect Competition, Spatial models