

Modeling Trade Policies under Alternative Market Structures

Giovanni Anania (University of Calabria, Italy)

and

Margherita Scoppola (University of Macerata, Italy)

Abstract

The paper focuses on the importance of assumptions made about market structure and firm behavior 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. The paper's contribution to the relevant literature is threefold: first it develops two original models which incorporate imperfectly competitive market structures in a spatial modeling framework; then it proposes a procedure to identify the degree of market power in international trading which is consistent with observed prices and traded quantities, and then applies it to the international banana trade; 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.