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**EFFECTS OF THE FREE TRADE AGREEMENT BETWEEN THE EUROPEAN UNION AND CENTRAL AMERICA IN THE BANANA SECTOR OF COSTA RICA:  
AN *EX ANTE* MODELING APPROACH**

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**ABSTRACT**

This study provides a quantitative assessment of the impact of lower import tariffs granted by the European Union (EU) to Costa Rica (and other Central American and Andean countries) on the banana market through the recent Free Trade Agreement (FTA). Hence, in order to reach conclusions, the Global Simulation Model (GSIM) is applied to quantify the trade and net welfare effect. Furthermore, to confirm the robustness of the main simulation results, a stochastic approach through a Monte Carlo simulation was performed. The outcomes of the GSIM simulations indicate that Producer surplus in Costa Rica increases on a yearly basis (from US \$2.514.214,1 in 2011 up to US \$22.580.509,9 in 2020); being this the major income for the net welfare effect. Similarly, the rest of Central American and Andean countries follow comparable trends. On the other hand, this represents losses in tariff revenues and producer surplus for the EU and Rest of the World (ROW); whereas EU consumers gain throughout the years (US \$21.533.334,9 in 2011 up to US \$203.178.554,5 in 2020). Therefore the implementation of the FTA is expected to yield positive net welfare effects for Costa Rica