

IFPRI Work on Export Restrictions: Raising Awareness, Providing Evidence

Export taxes and restrictions have not disappeared from trade policies at the global level; in fact, the 2007-2008 food price surge saw a multiplication of these measures by key exporters from the developing world. This situation has led to a worsening of the global situation.

Due to close monitoring of international trade policies, IFPRI trade experts raised the alarm during the crisis and IFPRI Director Generals from Joachim Von Braun (April 2008: <http://www.ifpri.org/publication/rising-food-prices>) to Shenggen Fan (June 2011, <http://www.ifpri.org/pressrelease/moving-rhetoric-action-priorities-curtail-price-volatility-protect-poor>) have urged policy makers to act on this issue.

IFPRI researchers have combined extensive work on databases and applied modeling to investigate the magnitude and effects of export taxes, as well as their links to world prices. They have shown the complementarity between import and export policies (<http://www.foodsecurityportal.org/agricultural-trade-policies-and-food-crisis-will-they-help-or-hurt>). In addition, IFPRI has contributed to the work of other institutions on this issue, in a bilateral context with OECD¹ and within the joint efforts of the International Organizations to answer the questions asked by the G20².

Beyond condemning such policies from a dogmatic position, IFPRI's main research³ has first aimed at assessing the rationales for the use of export taxes, in particular in the context of a food crisis. IFPRI research has summarized the effects of export taxes using both partial and general equilibrium theoretical models. When large countries have an objective of constant domestic food prices, in the event of an increase in world agricultural prices, the optimal response is to decrease import tariffs in net food-importing countries and to increase export tariffs in net food-exporting countries. The latter decision improves welfare, while the former reduces welfare: this is the price that is paid for constant domestic food prices. Small countries are harmed by both decisions.

In addition, the costs of a lack of cooperation in and regulation of (binding process) such policies in a time of crisis has been illustrated using a global computable general equilibrium (CGE) model, mimicking the mechanisms that appeared during the recent food price surge. An example is given in Table 1 for prices and in Figure 1 for real income, the latter capturing both efficiency and terms of trade effects. The conclusions lead to a call for international regulation, in particular because small net food-importing

¹ Bouet, A., D. Laborde, 2010, « *The economics of export taxes in a context of food security* », in OECD, *The Economic Impact of Export Restrictions on Raw Materials*, Paris, OECD Trade Policy Studies, Trade and Agriculture Division, 59-78.

² <http://www.foodsecurityportal.org/interagency-report-g20-food-price-volatility-released>

³ <http://www.ifpri.org/publication/economics-export-taxation-context-food-crisis> and Bouet and Laborde 2012: *Food Crisis and Export Taxation: the Cost of Non-Cooperative Trade Policies. Review of World Economics. no 1, 2012*

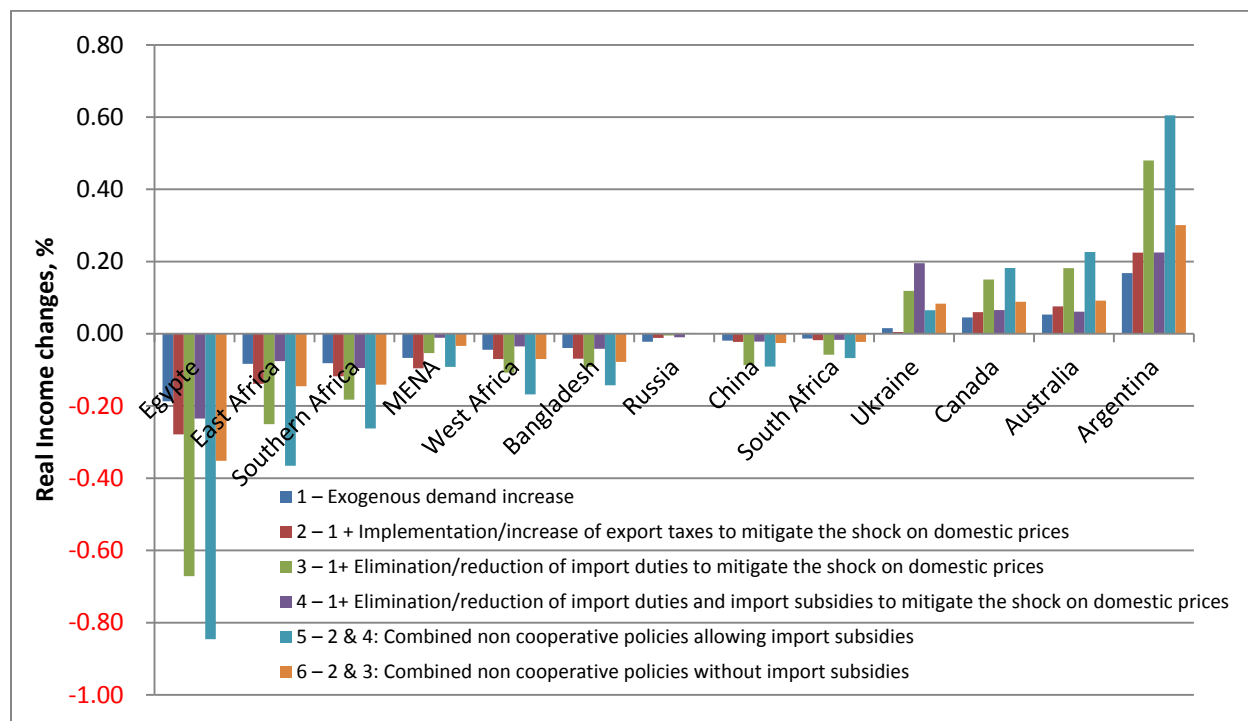
countries may be substantially harmed by these beggar-thy-neighbor policies that amplify the already negative impact of the food crisis.

Table 1 An illustration with the wheat market: Effects on prices

	Average production price	Average trade price
1 – Exogenous demand increase [initial perturbation]	9.10%	10.8%
<i>Effects of policy responses</i>		
2 – 1 + Implementation/increase of export taxes to mitigate the shock on domestic prices	1.52%	16.76%
3 – 1+ Elimination/reduction of import duties to mitigate the shock on domestic prices	9.05%	12.62%
4 – 1+ Elimination/reduction of import duties and import subsidies to mitigate the shock on domestic prices	20.12%	27.31%
5 – 2 & 4: Combined non cooperative policies allowing import subsidies	16.00%	41.10%
6 – 2 & 3: Combined non cooperative policies without import subsidies	7.05%	20.58%

Source: Bouet and Laborde, 2010

Figure 1 An illustration with the wheat market: Effects on real income



Source: Bouet and Laborde, 2010