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# **The Role of Export Restrictions in Agriculture Trade**

**Carmen Estrades**

*Selected Paper prepared for presentation at the International Agricultural Trade Research Consortium's (IATRC's) 2015 Annual Meeting: Trade and Societal Well-Being, December 13-15, 2015, Clearwater Beach, FL.*

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# The role of export restrictions in agriculture trade

Carmen Estrades

Universidad de la República

2015 IATRC Annual Meeting

Clearwater Beach, 13-15 December

# Export restrictions

- Export restrictions comprise a wide range of measures:
  - Export taxes
  - Export quotas
  - Export bans
  - Other measures: minimum or reference prices, non-automatic licenses, dual pricing scheme.
- Mainly applied in “raw materials”: minerals and metals, agricultural commodities, wood products.

# Export restrictions in agriculture

- Export restrictions have an impact on domestic supply and prices
- Justification for applying export restrictions:
  - To guarantee domestic supply of key staples
  - To develop a domestic industry based on unprocessed commodities
  - To insulate domestic prices from international volatility
- In agriculture, export restrictions are frequently applied for food security purposes

# Impact of export restrictions in international markets

- Effects of export restrictions on international prices depend on:
  - Market power of the country imposing the restriction
  - Strategic behavior of importing countries
- “Big” countries (i.e. countries with market power) will have terms of trade gains from the measure
- With strategic behavior, impact on international prices can be even higher

# Export restrictions during the food crisis

- There was a peak of export restrictions applied during the recent food crisis (2007-2008/2010-2011)
- Evidence suggests that export restrictions, together with other price insulating policies, contributed to an overall increase in food prices (Martin and Anderson 2012; Anderson and Nelgen 2012; Jensen and Anderson 2014; Giordani et al. 2014; Mitra and Josling 2009; Solleder 2013; Headey 2011)
- Most studies:
  - Focus on few markets (grains, oilseeds)
  - Consider all types of price insulating policies altogether
  - Do not consider other export restrictions besides export taxes

# Objectives

- To have a comprehensive idea of export restrictions applied in the agriculture sector
  - Types of measures, countries that apply restrictions, sectors affected, justification for applying the measure, timespan of the measures
- To contribute to the evidence about the impact of export restrictions on food prices and agriculture trade
- To contribute to policy debate for regulating export restrictions at the international level



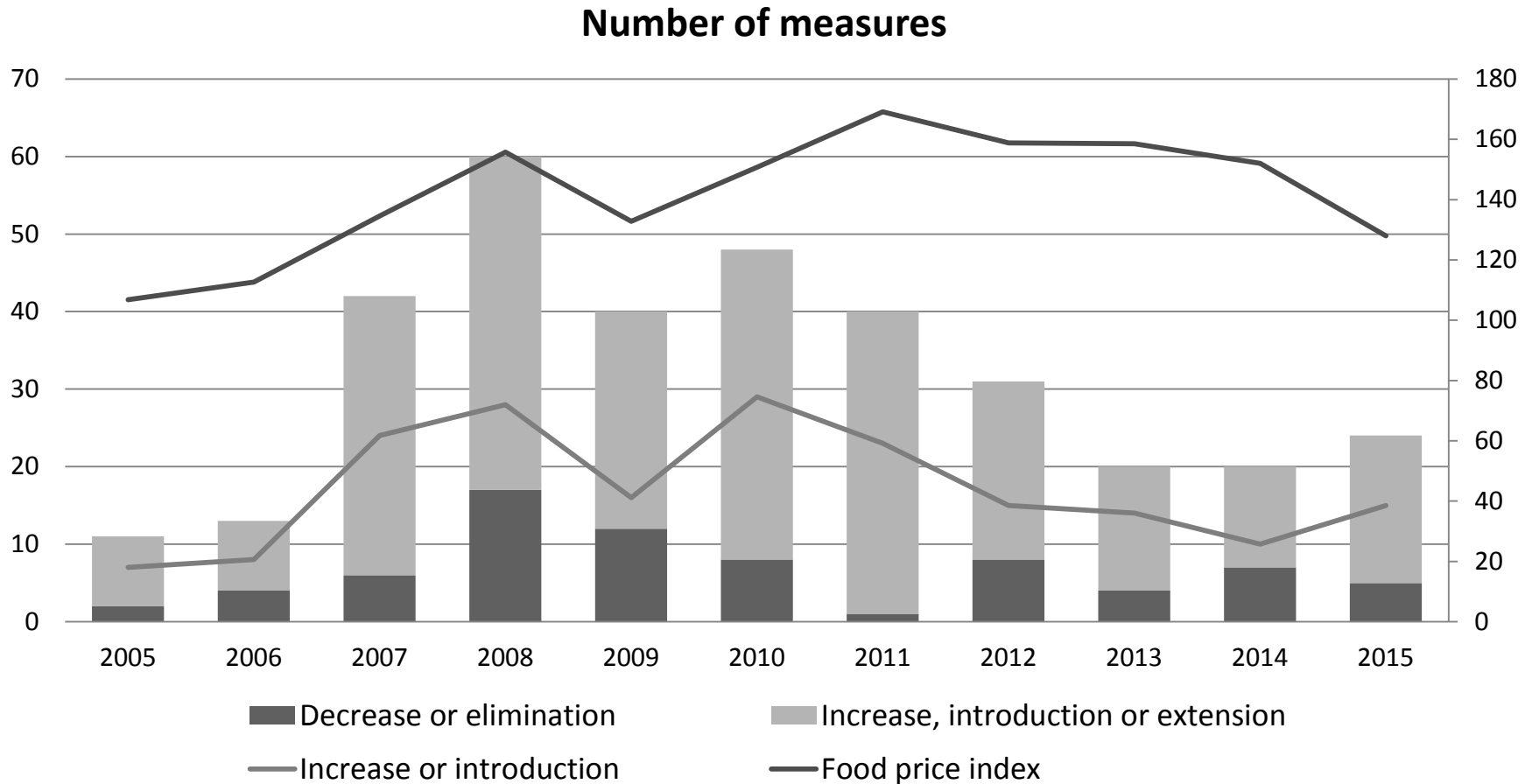
# ERA database

- **Export Restrictions in Agriculture database**
- Builds on existing databases and information systems on export restrictions (OECD 2014; Solleder 2013; WTO monitoring reports; Global Trade Alert; AMIS)
- Comprehensive database of all countries, all agriculture products (HS6), all type of export restrictions.
- 2005-2015 period
- Includes information on duration of the measure, justification, type of measures, direction of measures
- Includes short term measures

# Export restrictions in the agriculture sector (2005-2010)

- 32 countries
- 293 measures that introduce export restrictions, increase restrictions already in place or extend measures already in place
- 3729 HS lines
- Main sectors: cereals, oilseeds, vegetables, milling products, raw hides, live animals, sugar
- Main measures applied: export bans, export quotas and export taxes

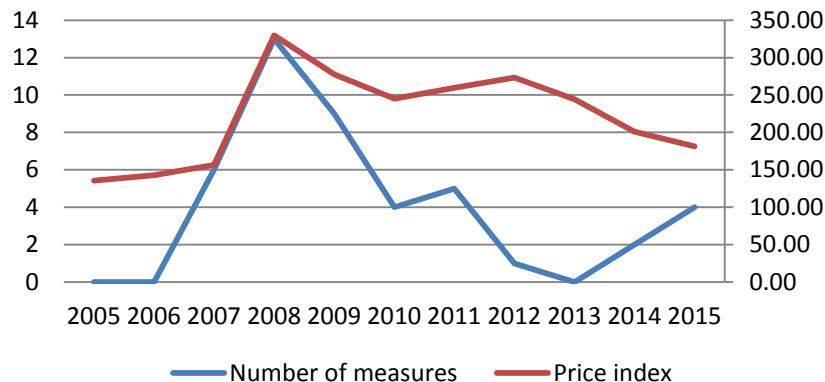
# Two peaks in the introduction of new measures: 2008 and 2010



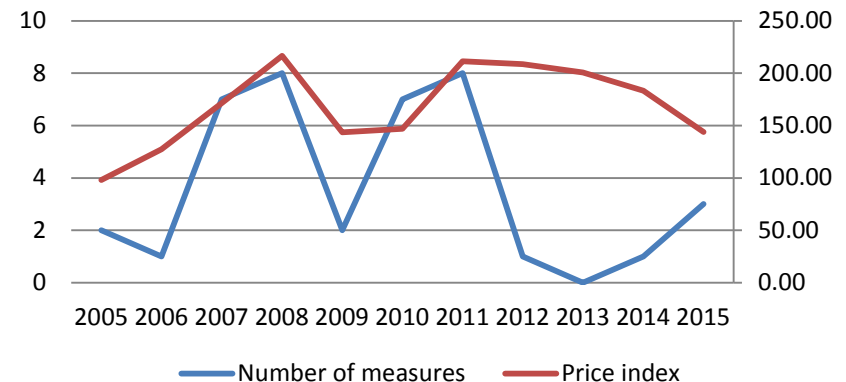
Source: ERA, FAO food price index

# Cereals is the most affected sector: 38% of new or increased measures

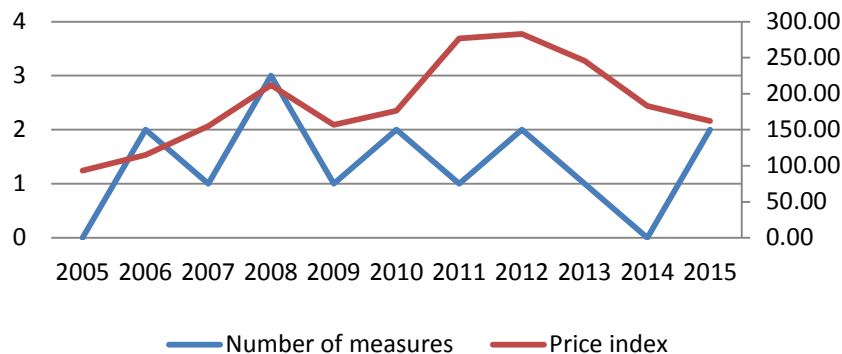
## Rice



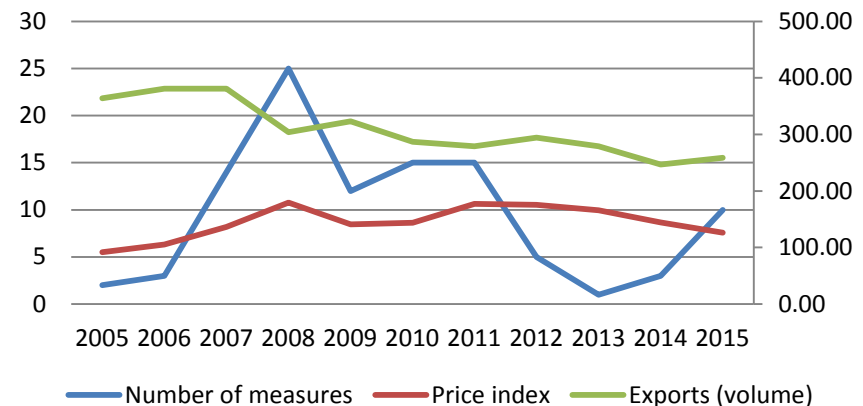
## Wheat



## Maize



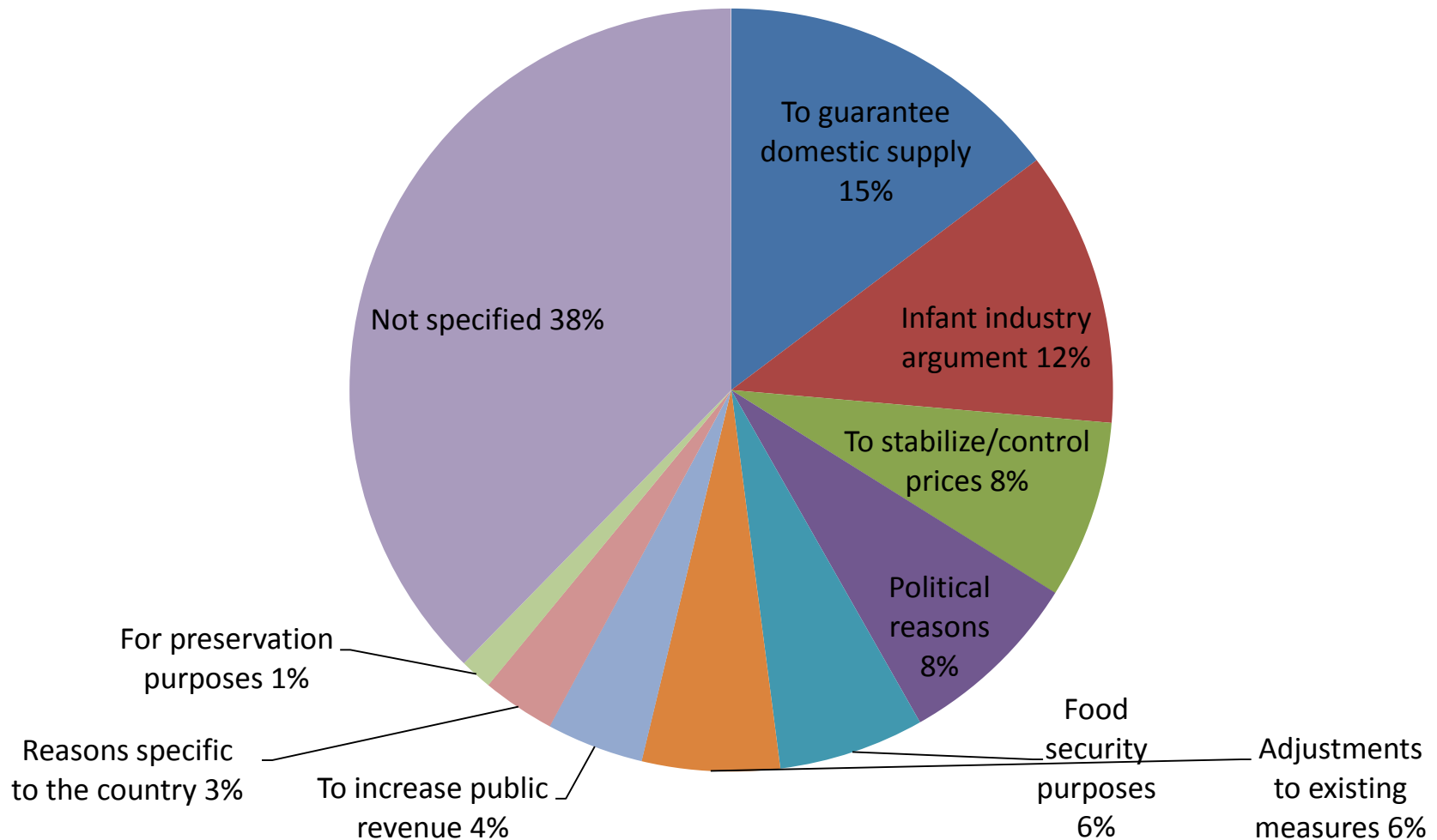
## Cereals



Exports bans and export quotas are more frequently applied, but they last on average shorter periods of time

	Frequency	Average years
Export bans	28.7%	2.8
Export quotas	25.3%	2.8
Export taxes	20.8%	4.8
Non automatic export license	6.5%	3.9
Price reference / minimum export price	5.8%	1.9
Other measures	13.0%	3.3
Total	100%	3.5

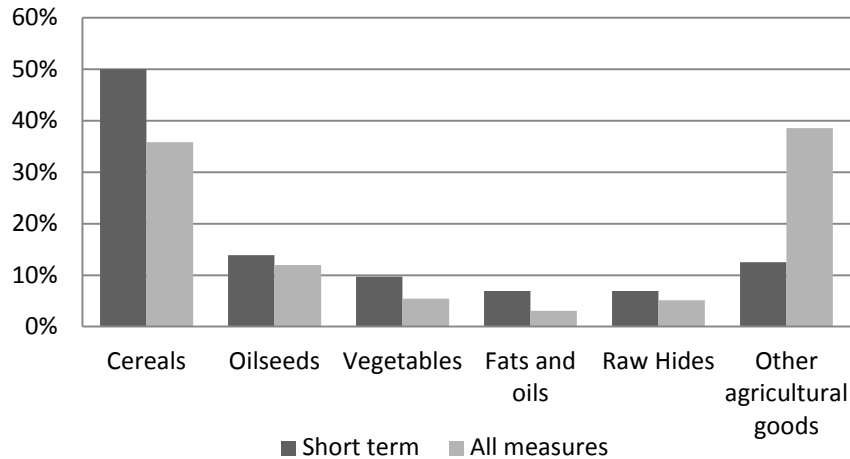
# Justification (new or increased measures)



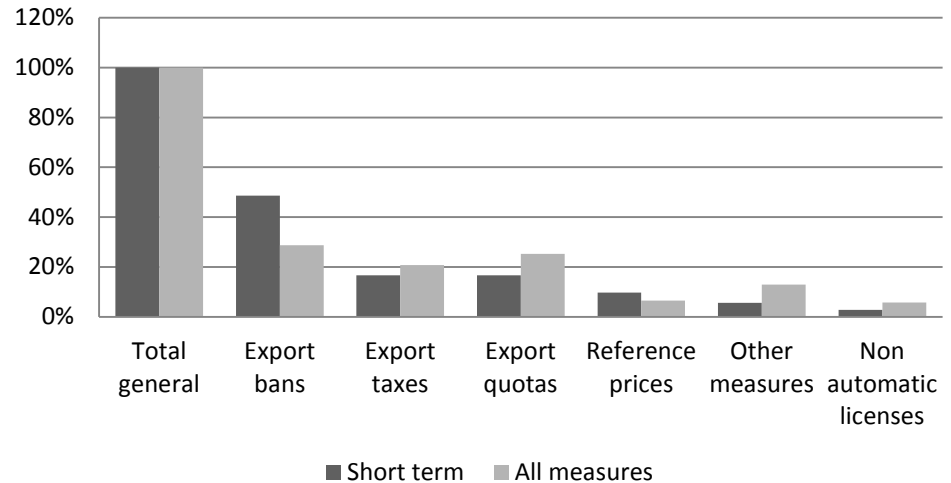
Price stabilization and infant industry arguments more frequently used when export taxes are implemented; domestic supply and political reasons when export bans are implemented

# Short term measures (< 6 months)

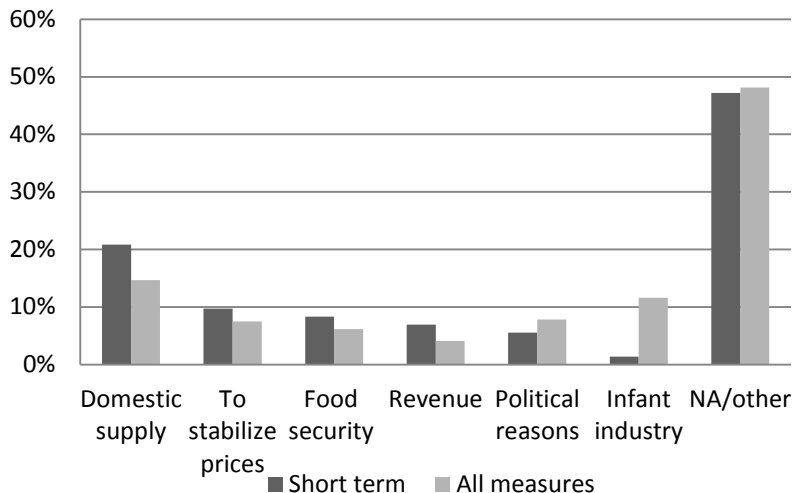
## By products



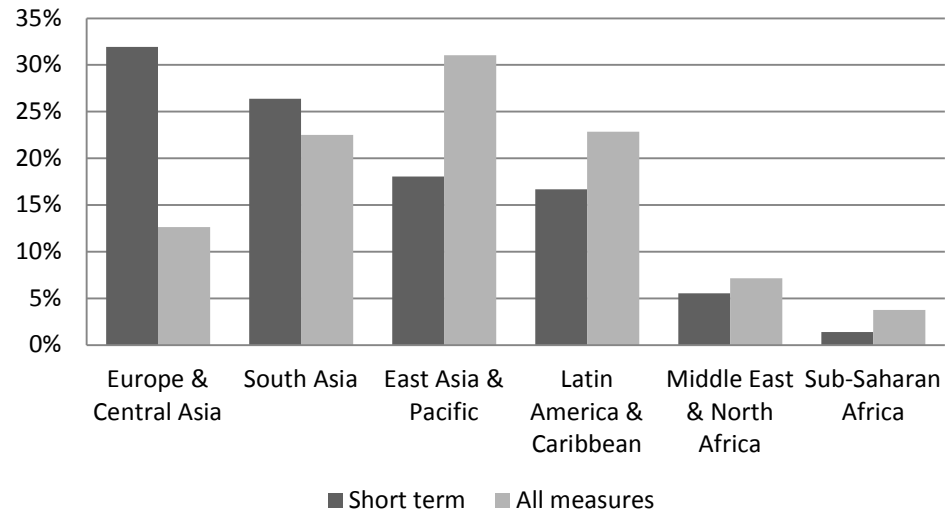
## By type of measures



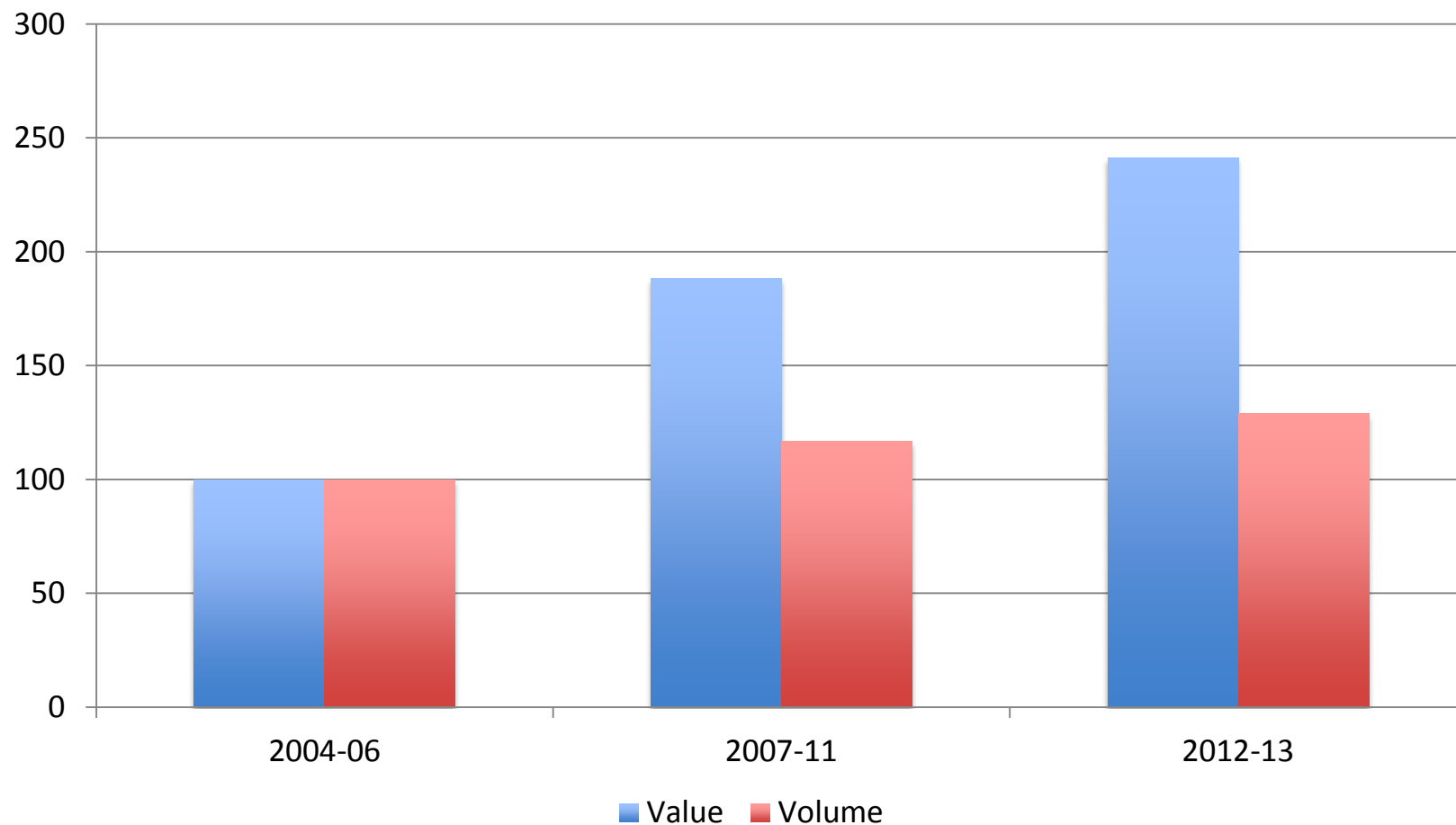
## Justification



## By regions



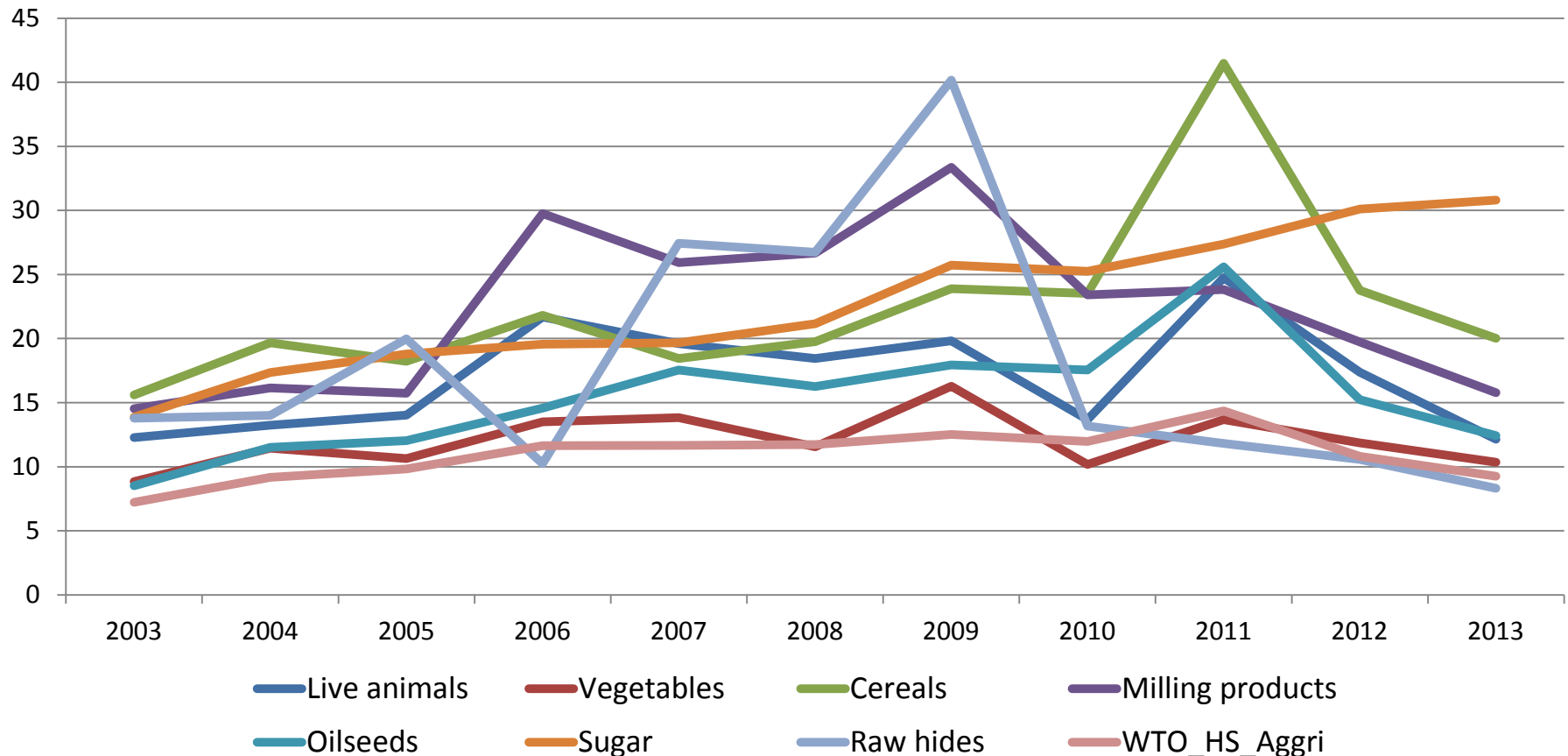
# Impact on exports



Source: Own elaboration with data from BACI



# Import promoting measures: difference between bound and applied tariffs. In percentage points, simple average



Source: Own elaboration with data from WTO

# Next steps (1)

- Use ERA to analyze the impact of export restrictions on agriculture trade and international food prices
- Estimate gravity equation (Solleder 2013), introducing other measures of export restrictions other than export taxes, as well as import promoting measures.

## Next steps (2)

- Analyze provisions on export restrictions in recent trade agreements
  - New agreements usually provide clauses that disables members from imposing export restrictions, and disciplines are stronger in newer agreements (Korinek and Bartos 2012)
  - TransPacific Partnership: allows members to impose short-term restrictions on foodstuffs, as long as members notify measures beforehand and provide explanations for the measure

# Very preliminary remarks

- There is an information gap:
  - Notification of countries to WTO
  - Information accessible in WTO webpage
- Short term measures vs long term measures
- Diversity of measures: convert to export taxes with bound rates
- Negotiations on export taxes should not be dissasociated from import tariffs talks in agriculture