

**UNCTAD GLOBAL COMMODITIES FORUM
13-14 April 2015**

**Export Restrictions in Raw Materials Trade:
Facts, fallacies and better practices**

By

Ms. Jane Korinek
OECD

The views expressed are those of the author and do not necessarily reflect
the views of UNCTAD.



Export Restrictions in
Raw Materials Trade:
Facts, fallacies and
better practices

**UNCTAD Global Commodities Forum
April 13-14, 2015**

Jane Korinek, OECD

What are the objectives of export restrictions?

Measures

- export tax
- export quota
- export prohibition
- export licensing requirement
- restriction on customs clearance point for exports



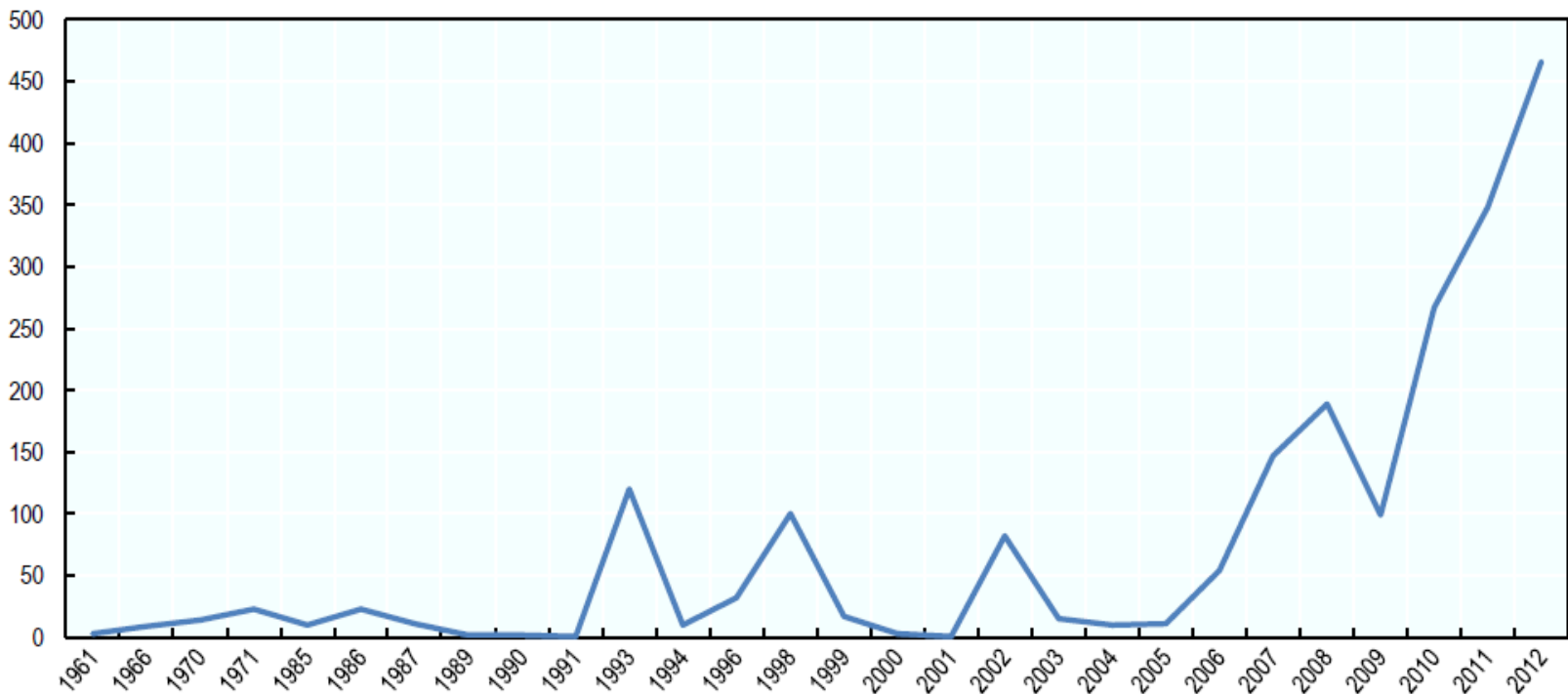
Policy objectives

- generate fiscal revenue
- conserve natural resources
- control illegal exports
- protect health/environment
- safeguard domestic supply
- promote processing industry

Trade policy is rarely an optimal instrument to address a domestic market objectives. It is untargeted and has negative side effects.

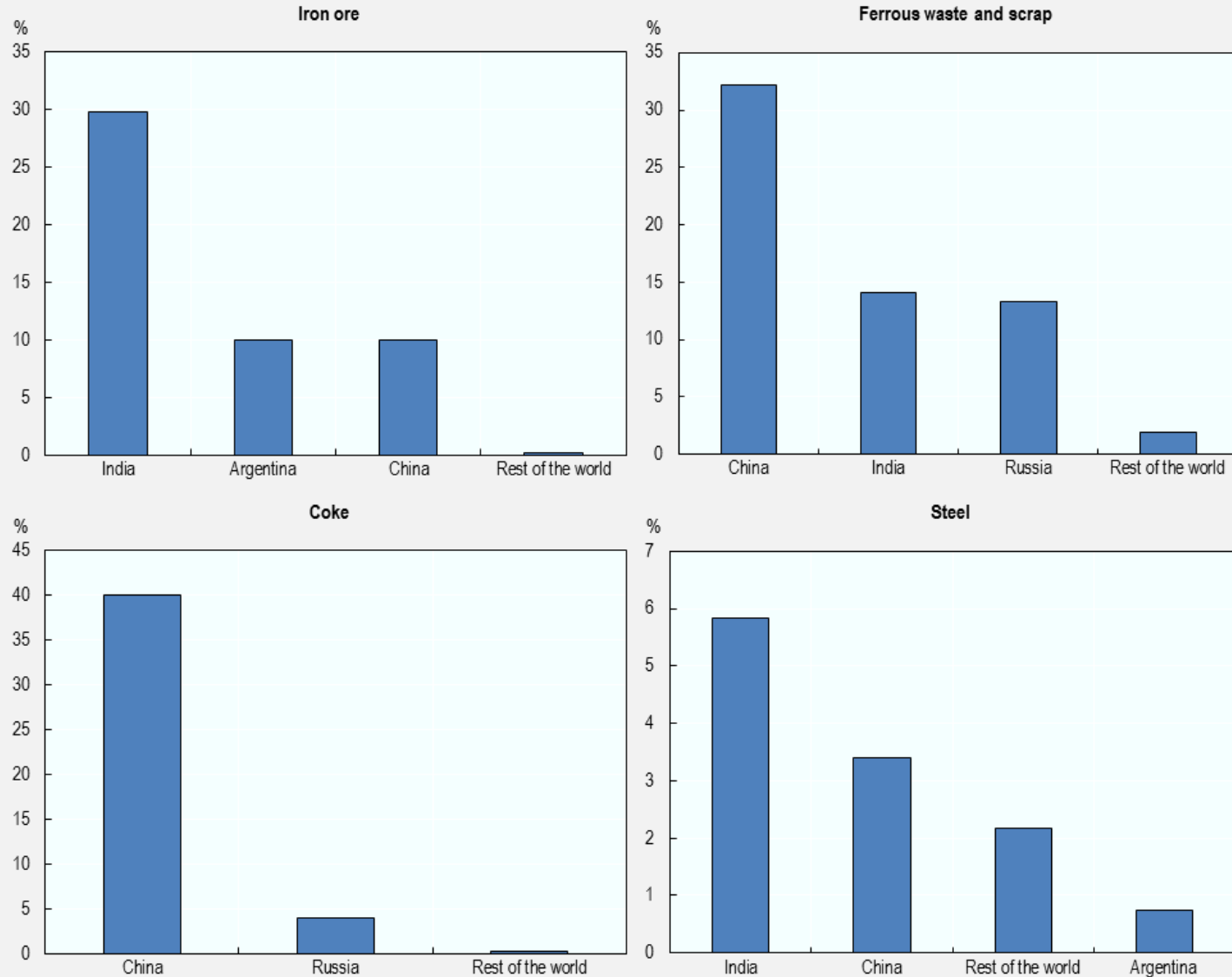
Use of export restrictions on metals and minerals is increasing

Number of measures



Export taxes can be substantial

Ad valorem % taxes on steel and major steel raw materials



A few of the economic impacts

- Other raw materials exporters will find heightened demand
- “Bandwagon” effect
- Potential for policy response from importing countries
- Drop in global welfare can be substantial

Simultaneous removal of export restrictions on steel-making raw materials

- Results show that downstream industries benefit from removal of export tax – **even in countries that have export tax raw materials !**
- Why?
 - increased supply of raw materials to world markets
 - drop in global prices
 - more choice in sourcing for downstream industries at lower price

New study by NW University in South Africa

- Export taxes on:
 - Manganese in Gabon
 - Aluminium in Guinea
 - Copper in Zambia
- Export tax followed by ban on:
 - Chromium ore in Zimbabwe
- Export license on:
 - Lead in South Africa

Impacts on semi-processed products in five African countries

.... “the comparative advantage between input (i.e. mineral ores) and semi-processing in the African case studies is very limited...”

“In the absence of statistical correlations the case for export restrictions as a tool for fostering processing is weak under the best circumstances.”

Objectives better served through other policies

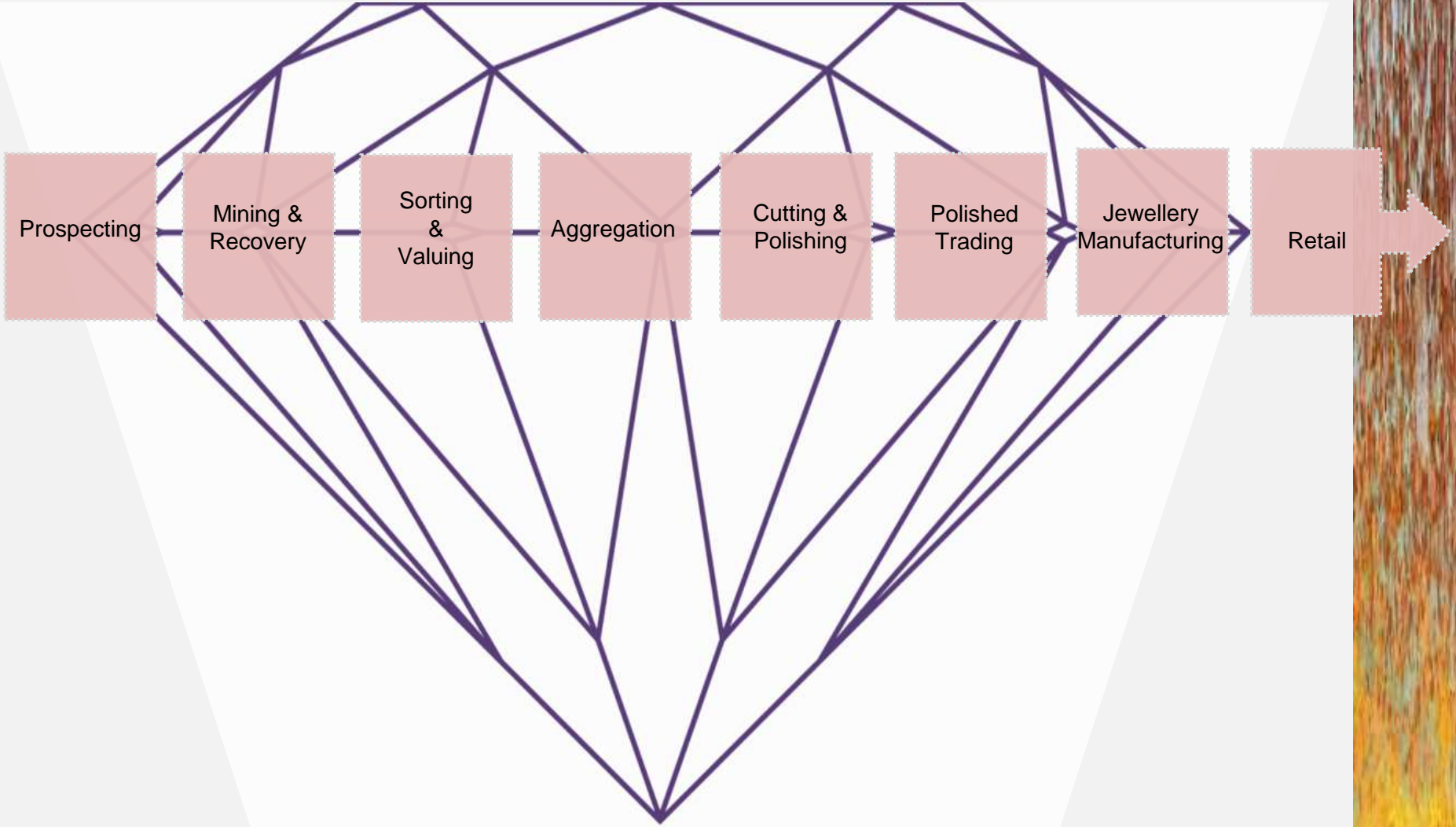
- OECD case studies on management and regulation of extractives
- Chile, Botswana, Colombia, Peru
- Tax design and distribution of tax revenue from extractives
- Spillovers into adjacent sectors
- Illegal mining

Lessons from minerals exporters that have successfully leveraged their resources

- Transparent regulatory framework that applies to all firms
 - As opposed to holding individual negotiations between large MNEs and government officials in countries with relatively less capacity
 - Asymmetric information
 - Potential for rent-seeking

Lessons (2)

- Some countries use export restrictions to generate employment in processing industries.
 - But already over-capacity in global processing
 - Energy and water demands can strain domestic resources.
- Develop industries & services around mining instead of downstream
 - Chile, Australia, Norway



OECD work on-going in this area: Data platform

- Database continuously updated
- Expansion to include a wide range of information on minerals and metals: production, reserves, import and export restrictions, trade flows ++
- Further analysis on economic impacts

OECD work on-going in this area: policy dialogue

- Conference in November 2014
- Looking to push the ball forward on questions of trade in raw materials
- Wider than export restrictions: import restrictions, subsidies, LCRs, certification, leveraging the supply chain, security of supply chains.
- Here again, we are looking for partners

<http://oecd.org/tad/benefitlib/export-restrictions-raw-materials.htm>

Jane.korinek@oecd.org

AMIS is tackling the key issues

Transparency

- Market Monitor
- Improved data on S&D Balances, stocks, forecasts



International Policy Co-ordination

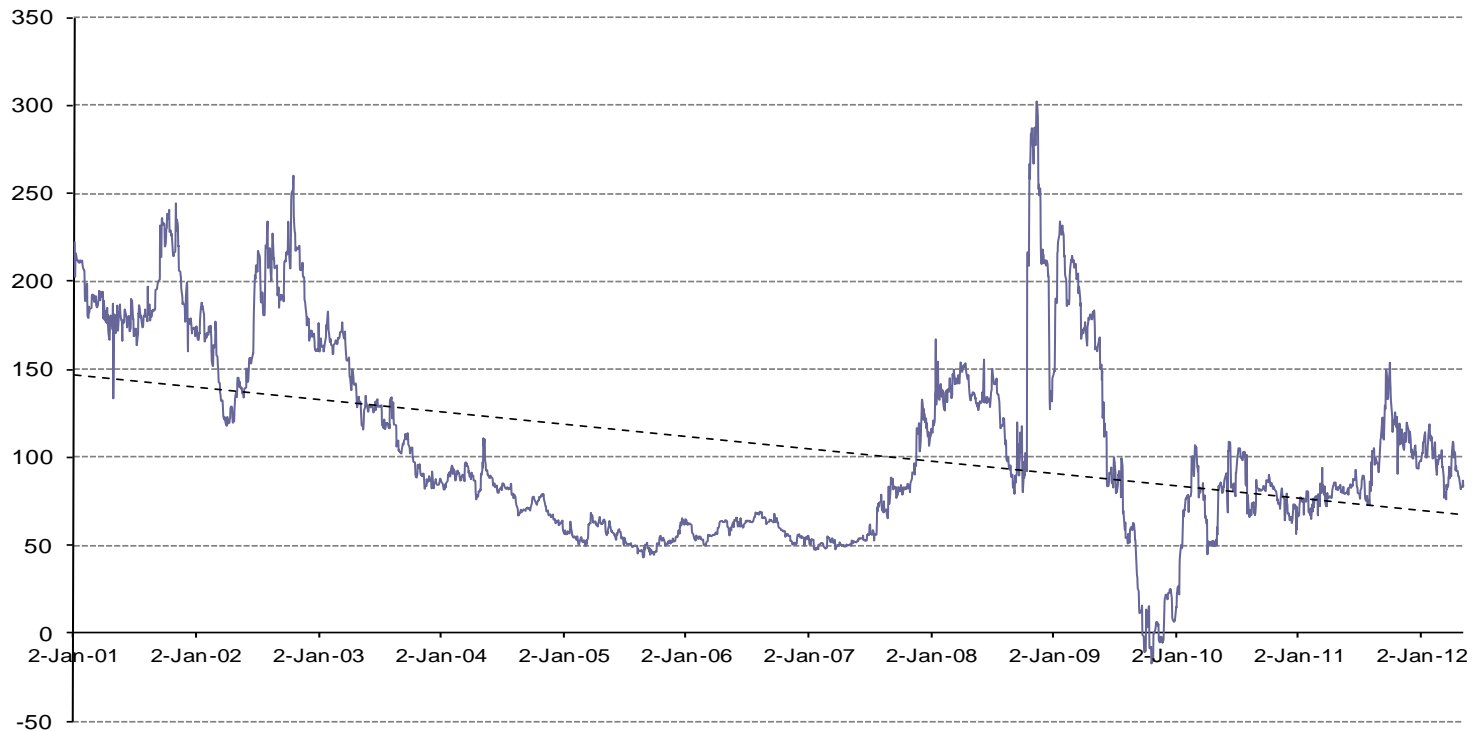
- Training and technical workshops on methods
- Rapid Response Forum - early action to prevent crises

Lessons from Chile: taxation

- Transparent, predictable, balanced and within an acceptable range
- Mining tax is progressive
- Profits rather than production are taxed
- Mining received 38% of FDI entering the country while contributing 28% of all tax revenue.

Lessons from Chile: tax revenue management

Chile's sovereign spread since the structural balance policy basis points



Lessons from Chile: spillovers to the wider economy

- Chile has been introducing a strategy of supporting sectors that service mining operations
- Some PPPs that develop local providers into world-class suppliers
- Need for high-quality professionals is a known bottleneck in the mining industry

Botswana

- went from being one of the poorest countries to upper-middle income
- Stable tax environment
- Careful, step-by-step implementation of profit-sharing policies in the context of joint venture (Debswana)
- Asset depletion => expenditure on assets, human and physical

Takeaways (2)

- Priorities for spending the revenue from taxation of minerals: One of the cornerstones of Botswana's development policy has been to invest the entirety of the revenue extracted from its mineral asset in physical and human assets, i.e., education, health and infrastructure.
- Good quality, detailed geological information is of prime importance to attract investment.

Takeaways (3)

- Regulatory stability is of prime importance
- Good fiscal rules that advocate spending minerals tax revenues in a counter-cyclical fashion help contain exchange rate volatility.