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July 28, 2008

IPC Examines Impact of Agricultural Export Restrictions in Argentina

Export controls imposed by food exporting countries on major food exports in the name of food security have reduced internationally available supplies, exacerbated concerns about food scarcity and thus in fact contributed to further global food price increases. IPC's newest publication "The Domestic Impact of Export Restrictions" examines whether such measures effectively meet their domestic objective of protecting the poor from price increases. In the case of Argentina, export restrictions have in fact harmed the economic and social performance of the country as shown by simulations of the socio-economic impacts that the dismantling of the country's export barriers prevailing in mid-2007 could have. The paper also chronicles the export tax increases imposed in March 2008 and their recent abolishment. "While each country is unique," states IPC Vice Chairman and former Argentine Minister of Agriculture, Marcelo Regunaga, "Argentina's experience may offer some valuable lessons for other countries during these tumultuous times of high food prices."

Key findings and conclusions include:

- An elimination of export barriers in Argentina would increase production and employment levels of primary agriculture: it would increase GDP between 2 and 4 percent and lead to an expansion of employment by 300,000 jobs, with the bulk of employment benefiting relatively unskilled workers living close to the poverty line. The imposition of domestic export restrictions has harmed the competitiveness of Argentina's agricultural sector more than tariff and non-tariff barriers imposed by its trading partners.
- Although the government would be faced with an immediate loss of revenues from an elimination of export taxes, it would be compensated by additional collection of income tax triggered by higher producer prices and expanded production. Other taxes, such as land taxes, could also provide additional government revenue.
- Since income gains materialize at a slower pace and an elimination of export barriers would instantaneously raise consumer prices, temporary adjustment mechanisms would be required in order to reduce the social costs of adjustment.
- Export taxes should be as uniform as possible; differential tax treatment weakens the cohesiveness of the agro-industrial chain to push for openness.
- There should be improved multilateral and regional disciplines on export controls – akin to those, which exist for import restrictions. This is an item on the Doha Development Round's agenda.

Dr. Nogues is a Professor at the School of Government, Universidad Di Tella, and Member of Argentina's National Academy of Economics.

To access the full report, please visit <http://www.agritrade.org/Publications/index.html#positionpapers>

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