TRADE IN RAW MATERIALS: BREAKING FREE FROM EXPORT RESTRICTIONS

Industrial production depends on trade in raw materials such as metals, minerals and natural resources. Prices and quantities of these materials are strongly influenced by global demand but also by policies in the countries that produce and export them.

Prices for many raw materials have increased significantly over the past few years. At the same time, producer countries are making greater use of measures which raise export prices, limit export quantity or place conditions on the circumstances under which exports are permitted. Countries use these export restrictions as a way to increase revenue, decrease domestic prices, promote downstream processing industries or conserve natural resources. Materials affected by these restrictions in recent years include timber from Russia, chromite from India (used in chrome plating and in pigments) and rare earths from China (used to make computers and mobile phones). Food commodity exports have also been restricted; when food prices rose sharply in 2007-08 over 40 countries imposed various forms of export restrictions.

Negative effects of export restrictions

Export restrictions have negative consequences for international trading partners and producer countries. By diverting raw materials from export to domestic markets, these restrictions raise prices for foreign consumers and importers. At the same time, by reducing domestic prices in the producer countries and increasing global uncertainty about future prices, export restrictions discourage investment in extracting and producing raw materials - potentially reducing the overall supply of materials in the long term. Also, export restrictions by a producer country may lead to a spiral of restrictions by other countries, which would mean further trade distortion and global price increases.

Businesses and policy makers alike are concerned by the increasingly restrictive and unpredictable environment of international trade in industrial raw materials. Multilateral disciplines governing the use of export restrictions are weak. There are no rules for using export duties, while policies behind export restrictions often lack transparency. This creates uncertainty for industries that depend on supply of these materials and raises the risk for investment in both mining and processing facilities worldwide.

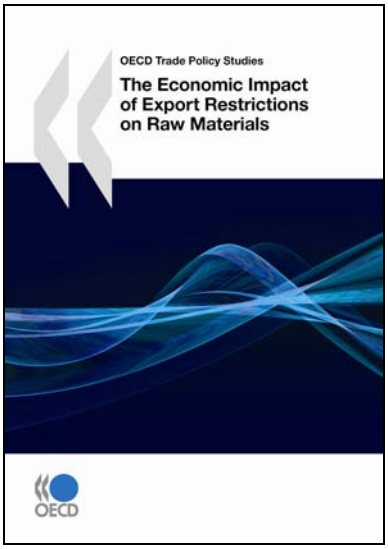
Alternatives to export restrictions

Instead of restricting exports, many countries have used other policies that meet their objectives without distorting trade. For example, as a response to the food price increases of 2007-08, Brazil and South Africa reduced import tariffs on wheat and maize respectively. Chile, the world's leading producer and supplier of copper, applied a tax on the operating income of copper mine operators and directed the revenue from this tax towards development and innovation projects in mining and other sectors.

OECD work and recommendations

OECD analysis of the economic impact of export restrictions shows that there are more effective and less costly alternatives to export restrictions, and advocates a multilateral framework to discipline export restrictions at the World Trade Organization (WTO). OECD is now compiling a comprehensive inventory of export restrictions that will improve transparency and enable more informed policy dialogue within and across countries.

Further reading



The Economic Impact of Export Restrictions on Raw Materials

Export restrictions on raw materials are applied to achieve a number of policy objectives. However, they can have a significant and negative impact on the efficient allocation of resources, international trade, and the competitiveness and development of industries in both exporting and importing countries.

This publication presents a selection of papers discussed at the OECD Workshop on Raw Materials, held in Paris in October 2009. This workshop was organised in response to the growing concern on the use of export restrictions on raw materials.

See also:

Recent Trends in Export Restrictions (OECD Trade Policy Working Paper No. 101)
Export duties were applied by 65 out of 128 WTO member countries over the period 2003-2009, an increase on 1997-2002. These duties were introduced primarily by developing and least developed countries, and were mostly applied on agricultural products, minerals and metal products. This paper looks at the use of export restrictions in this period and at international disciplines on these measures.

Export Restrictions on Strategic Raw Materials and Their Impact on Trade (OECD Trade Policy Working Paper No. 95)
Molybdenum, chromite and rare earths are among a range of metals and minerals essential for producing computers, hybrid vehicles and many more high-tech consumer goods. Industrial users and importing countries are concerned by recent export restrictions and their effect on the supply and prices of these materials. This paper examines cases of export restrictions by producer countries on these strategically-important raw materials, focusing on their stated objectives and actual impacts.

More information
For more information, visit our website: www.oecd.org/trade.