How prevalent are export taxes?
Magnitude of export taxes

Choice of model

- Static, one-shot game
- Partial equilibrium
- International oligopoly
- Cournot-Nash (quantity setting)
- Two raw materials firms (domestic/foreign)
- Homogeneous product
Findings

• Shift in profits from domestic to foreign raw materials producers
• Downstream domestic producers’ welfare increases
• Raw materials producers outside the taxed country increase production; they increase investment somewhat
• Downstream foreign firms’ welfare falls

Findings (2)

• In some cases, the downstream industry in the taxed country does not have the capability to take advantage of favourable market conditions; it may encourage foreign firms to invest and relocate
• Innovation in the downstream industry will suffer overall: returns to such innovation will fall in all countries outside the taxed one
Findings (3)

- Innovation to find alternative materials will be fostered
- Complementary and substitute products’ markets will be affected
- A word on government revenue
- Exploration in the tax-imposing country will fall