V. CONCLUSIONS

5.1 The results of the two models suggest that governments of developing countries producing at least eight primary products - coffee, cocoa, tea, bananas, bauxite, copper, tin and tropical timber (not used in the modified model) - could benefit by simultaneously levying a tax on the export of the product concerned. In the case of cotton, palm oil, rubber and sugar, the optimal rate seems to be low, while five others - phosphate rock, iron ore, manganese ore, nickel and zinc - are not suitable for such an arrangement.

5.2 An export tax could be additional to any existing export taxes, and during the period of the agreement, member countries should refrain from changing the latter. In order to facilitate the collection of taxes and particularly to monitor the implementation of the agreement as well as to pay compensation as required, the member governments need to agree on a cooperative framework. Such a body could also advise members on market developments in order that the tax and the compensatory payments could be adjusted in a contra-cyclical way.

5.3 These differences and divergencies have contributed to the poor record in negotiating international commodity agreements involving export or production quotas or buffer stocks. Agreements by producers acting in concert to levy export taxes at a uniform ad valorem rate would avoid the main problems in negotiating ICAs and would not be contrary to the specific provisions of GATT. Such schemes would be administratively simple to operate although in some cases there would be certain technical problems operationally (e.g. for teas shipped abroad for auction). They also have the advantage of not freezing production patterns (as do quota arrangements), and trends in output would continue to be based on comparative costs.

5.4 A rigid scheme may have adverse effects upon exporters or producers, and if they are to benefit sufficiently to ensure their allegiance to it, a sliding scale of export taxes may be required. Such a scheme has several other advantages including its operation as a contra-cyclical device, as a balance-of-payments corrective, a means of promoting processing (a corrective for tariff escalation), an instrument to capture resource rent, a countervailing device to correct market imperfections, and generally as a means to improve the terms of trade of producing countries.

5.5 The argument for export taxes to appropriate 'rents' earned as a result of imperfect competition is strongest in the case of some minerals. The existing industry structure in selected minerals - bauxite, copper, iron ore, nickel, tin and zinc - shows the dominance of multinational companies (Table 2). This, together with low short-run marginal costs (Table 9), and lack of bargaining skills and technical know-how in developing countries, may have given rise to 'rents'. A large proportion of these seems to be accruing to the multinational companies, and though it should be recognised that relatively high profit can include a risk premium, the case for export taxes in such situations is to ensure the producer country obtains the 'rent' element where possible. The Jamaican experience on bauxite shows the resolution of multinational companies to maintain their share of the 'rent'; it also shows the need for producing countries to strengthen their bargaining power through concerted action.

5.6 Finally, it has to be admitted that though a programme of concerted export taxes on primary products would help to increase the real income of developing countries in the short run, other measures are required to solve the longer-run problems of supply[60]. One way is to discourage new investment in expanding the production of commodities which are likely to remain in over-supply at remunerative prices. In fashioning their future lending policies, international agencies might take more explicit account of a project's impact on other producing countries as well as of its feasibility in isolation.