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AUTHOR OR EDITOR

Ana Maria Iregui

This paper investigates whether developed countries export taxes to developing countries, contributing to the deterioration of their terms of trade and welfare; that is to what extent the distribution of gains from trade is being affected not by existing tariffs in developed countries, which are already at low levels, but by their domestic taxation. An eight-region CGE model for the world economy is used. The results indicate that developed regions export capital taxes to developing regions. However, the effects of import tariffs on welfare and terms of trade are larger than those of domestic taxes.

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