

Brazil Lecture Outline

Questions

What are the positive and normative impacts of opening to trade in a country with weak protection for its natural resources?

Taking weak governance as given, I ask what should we expect to see in terms of positive and normative consequences of trade. It just tells us where to look, what we should see, and what are the long-term consequences of trade on resource use.

Is there evidence that international trade has led to cases of severe overuse of natural resources?

This is an empirical question about specific cases. It requires us to find evidence that international trade has caused resource over use. To answer this question, I will examine several empirical studies and then end with a longer discussion of the gold standard in this area of research which is my paper on Buffalo Hunt. This is case study evidence: from sharks, to buffalo, etc.

Is there evidence that international trade is a common driver of resource overuse worldwide?

We now move from the specific to the general, and ask whether resource overuse is likely to be a broad general outcome. To answer this question, we first examine whether weak protection for resources creates a comparative advantage in resource product trade. I address this question by first using theory to show that in fact a well-managed and highly protected resource can be a relatively cheap resource to produce. Next, I review more general empirical work that suggests complementary investments in resource industries is often lacking in poor governance situations, and therefore empirically the link between weak protection and comparative advantage is not strong. This requires a multi-country, multi-resource empirical analysis to complement the theory, and I discuss recent efforts in this direction.

Does access to international markets make governance of natural resource industries easier or harder for governments?

Thus far we have taken the governance regime as exogenous to international trade. This may or may not be realistic. It may not be realistic because we are in effect varying one policy instrument (trade policy) while holding the other (resource/environmental policy) constant. There is however often a correlation across policies within any government. Even if there isn't policy coordination or reorganization by governments, international trade alters the conditions on the ground that alters the incentives of private agents. These changed incentives can make any governance regime more or less effective, which means that international trade flows and the strength of governance are jointly determined.