

ECONOMICS IN THE REAL WORLD

TRADE

ACTIVITY 1



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1 Every year, many developing countries export billions of dollars in manufactured products all over the world.

Bangladesh, for example, exports jute yarn for the textile industry. For every ton of finished product, 2.1 tons of CO₂ are emitted locally into the atmosphere. In Kenya, for every ton of palm oil processed for export, 1.8 tons of pollutants equivalent to dichlorobenzene are left in the environment, straining local soils.

As countries develop productive capacities, their industries cause environmental and human health impacts on production sites, using harmful chemicals, consuming lots of water and energy and generating solid waste.

2 Interestingly, changes in the location of production—the pollution-haven hypothesis—turn out to be empirically unimportant. The fact that freer trade induces increases in the scale of economic activity, on the other hand, has a modest adverse impact on environmental quality. But the third effect—changes in production techniques—swamps the other forces, and it is environmentally beneficial, not harmful. Overall, the authors estimate that for each one percent that freer trade raises per capita income in a nation, the result is that pollution (as measured by sulfur dioxide concentrations) falls by one percent.

3 The anti-China mood in Washington is not restricted to the avowedly and indiscriminately protectionist administration of Donald Trump (the president appoints the officials who staff Cfius). It is bipartisan, and was already taking hold under former president Barack Obama, who blocked the Chinese takeover of the semiconductor equipment maker Aixtron. The busted deal follows other measures to restrict Chinese access to world markets in the US, Europe and other countries. But this one must sting. Mobile payments, Ant's core business, is the cutting edge of Chinese consumer technology. Jack Ma, who chairs Alibaba, Ant's parent company, is Chinese tech's global face, and he made a special effort to court President Trump with the promise of US jobs.

The US and the world may only be responding in kind to Chinese protectionism. It would nonetheless be a tragedy if the story ended there. Yes, it is understandable that the world demands reciprocity. But trade officials must keep their eyes firmly on the goal of a more open China — not domestic markets protected from Chinese competition. China can become a true global economic leader only if it changes its ways. Should change come, the world must be ready to welcome it.

Sources

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