

Why We Need Trade Standards?

Intellectual property rights, environmental standards, and labor standards

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#1: Nations should follow environmental standards

Existent Standards

Kyoto Protocol

Paris COP21 Agreements

Reduce emissions + aid developing countries to implement new techs that reduce carbon emissions

Damages of Climate change

Global Rise in temperature

Rise in sea levels due to melting of ice caps

Increased respiratory illnesses

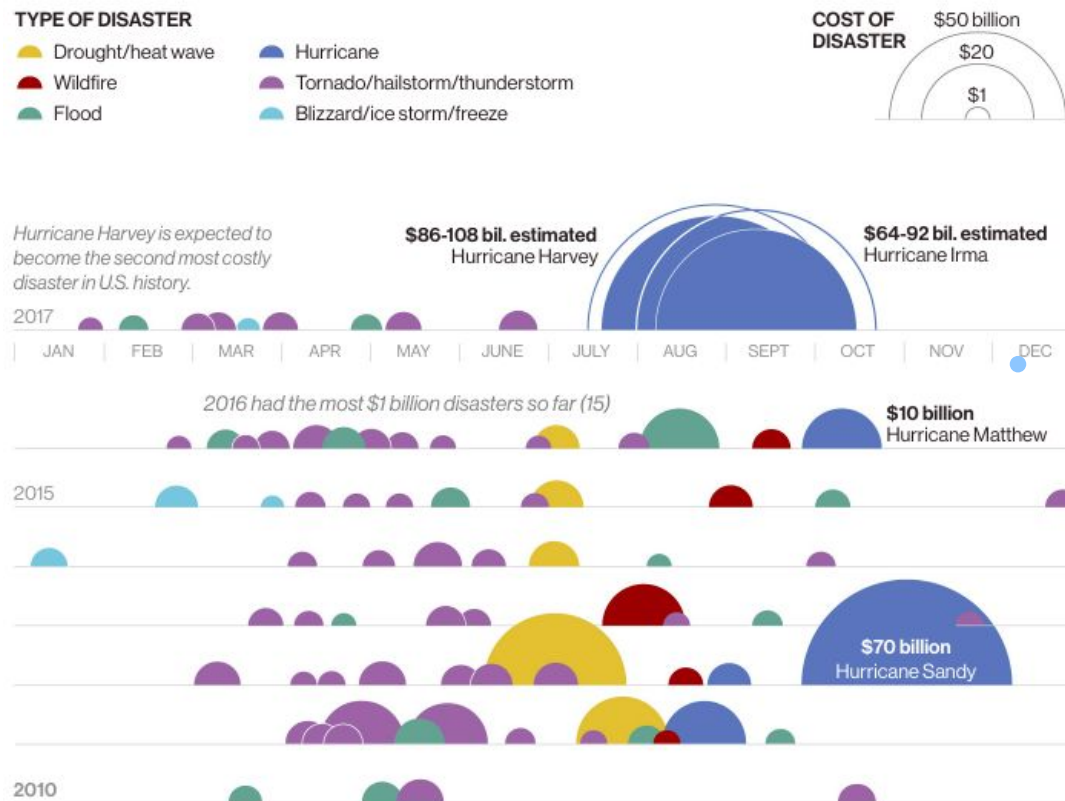
Increased extreme weather natural disasters

Decline in biodiversity

#1: Nations should follow environmental standards

Non-action in climate change is economically costly

The number of natural disasters has increased in the last decade due to climate change



- Extreme weather, made worse by climate change, along with the health impacts of burning fossil fuels, has cost the U.S. economy at least \$240 billion a year over the past ten years.

#1: Nations should follow environmental standards

Non-action in climate change is economically costly

- “Failure to prevent climate change may cost the world as much as 20 percent of the global GDP each year”

Top 20 Cities Threatened by
Coastal Flooding From Climate Change *

Rank	Country	City	Potential Losses Today (\$ billions)	Potential Losses 2070 (\$ billions)
1	US	Miami	416	3,513
2	China	Guangzhou	84	3,358
3	US	New York– Newark	320	2,147
4	India	Calcutta	32	1,961
5	China	Shanghai	73	1,771
6	India	Mumbai	46	1,598
7	China	Tianjin	29	1,231
8	Japan	Tokyo	174	1,207
9	China	Hong Kong	36	1,164
10	Thailand	Bangkok	39	1,118
11	China	Ningbo	9	1,074
12	US	New Orleans	234	1,013
13	Japan	Osaka–Kobe	216	969
14	Netherlands	Amsterdam	128	844
15	Netherlands	Rotterdam	115	826
16	Vietnam	Ho Chi Minh City	27	653
17	Japan	Nagoya	110	623
18	China	Qingdao	3	602
19	US	Virginia Beach	85	582
20	Egypt	Alexandria	28	563

* cities ranked in terms of value of assets exposed to coastal flooding in 2070.
Source: Ranking of the World's Coastal Cities Most Exposed to Coastal Flooding Today
and in The Future, OECD 2007.

#1: Nations should follow environmental standards

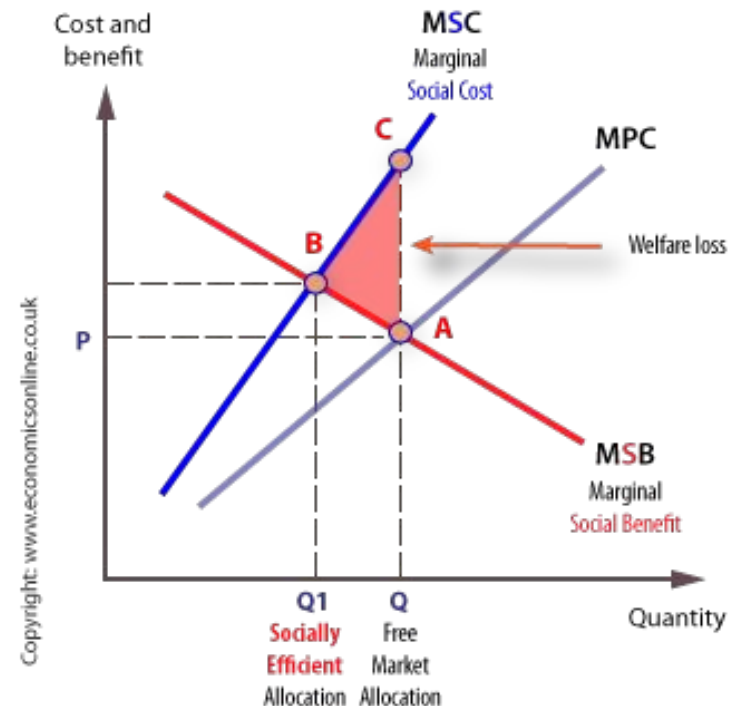
Non-action in climate change is economically costly

- “If climate change continues unchecked, the U.S. will lose \$1.9 trillion or 1.8% of GDP each year from the combination of hurricane damages, residential property losses from sea level rise, increased energy costs and water supply costs
- In the coming decade, economic losses from extreme weather combined with the health costs of air pollution spiral upward to at least \$360 billion annually in the U.S.

#1: Nations should follow environmental standards

CO₂ is uniformly distributed - there are negative externalities to pollution

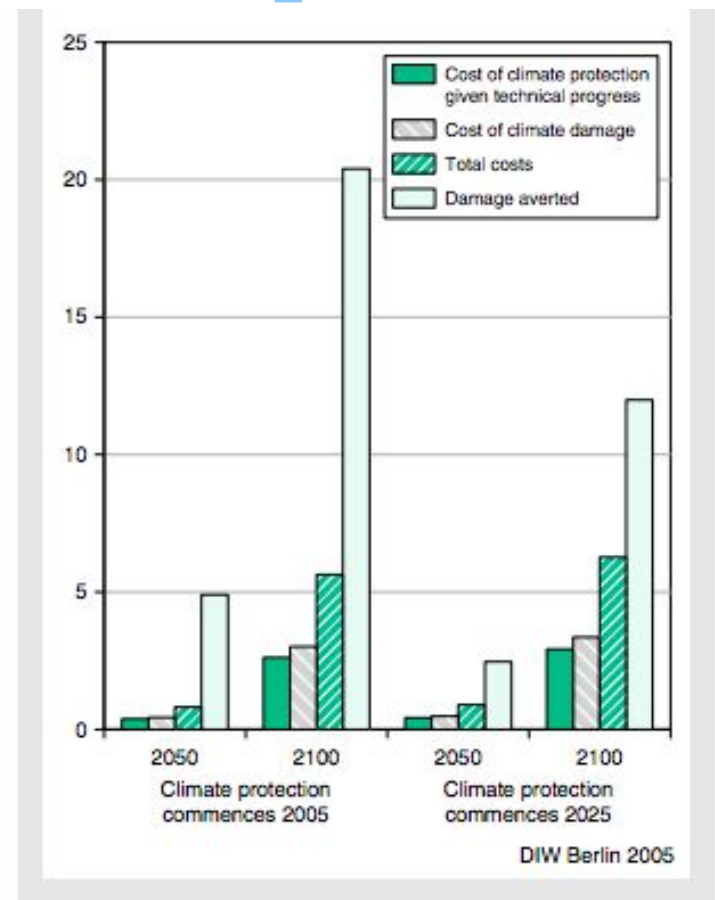
- The social cost of carbon is a measure of the economic harm from those impacts - roughly \$40 per ton.
- the private costs are raised to include the social costs. The welfare loss is due to the negative externalities of pollution and carbon dioxide



#1: Nations should follow environmental standards

CO₂ is uniformly distributed - there are negative externalities to pollution

- Present bias
 - The social cost (“i.e. the deadweight loss) increases the more we discount the future for the present
- The 1-3% of losses incurred in the present to reduce carbon dioxide emissions would prevent higher projected costs in the future



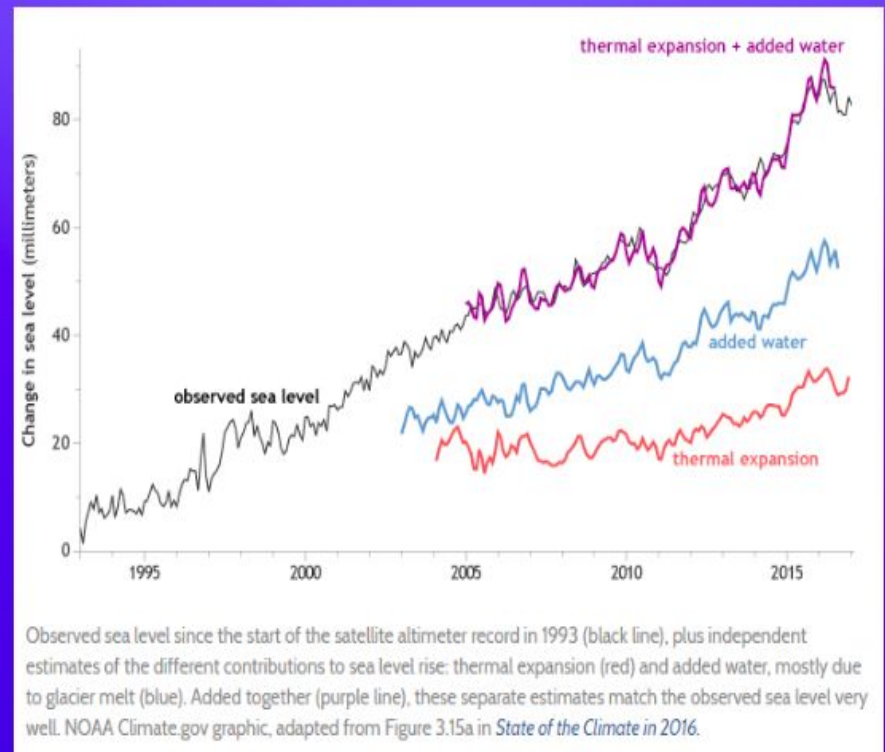
Sources: WIAGEM model simulation; DIW Berlin calculations.

#1: Nations should follow environmental standards

Climate change will create displacement

- One of the most prominent effects of climate change is the rise in the sea level due to the melting of glaciers near the poles.
- At least 150 million people live within 1 metre of high tide level, and 250 million live within 5 metres of high tide. Nearly 40% of world's population lives within 100 kilometers of a coast.

Global Sea Level Rise



Source: US National Oceanic and Atmospheric Administration

#1: Nations should follow environmental standards

Climate change will create displacement and overburden the labor supply

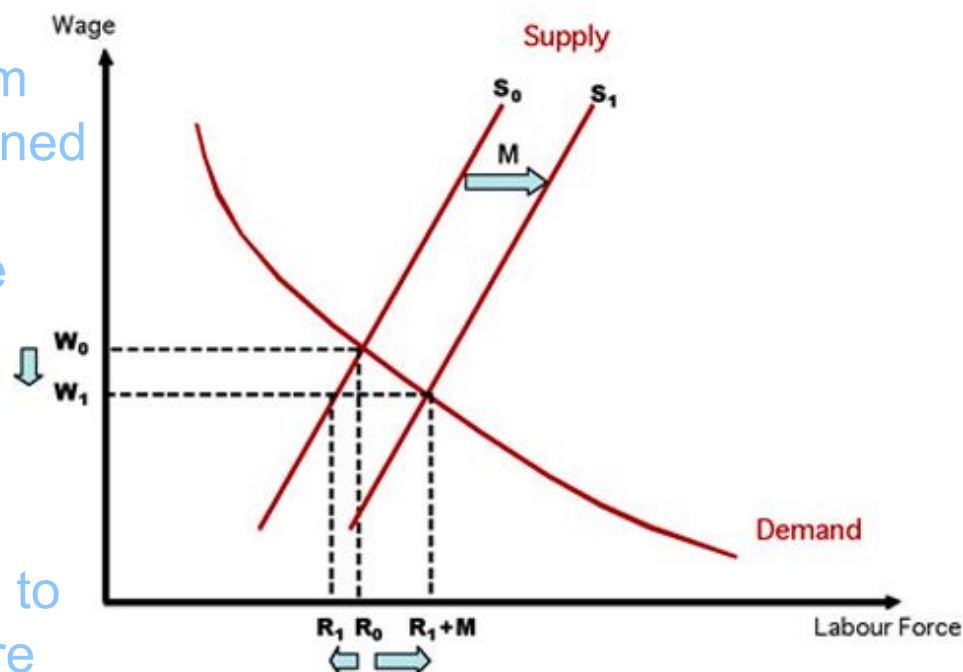
By 2050, 143 Million People Could Soon Be Displaced Because of Climate Change

The poorest people from the poorest countries moving in large numbers from rural regions to increasingly overburdened urban areas

These costs would at minimum include people's loss of land, property and livelihood, and they would include the services required to manage refugee camps and resettlement

Food will become more expensive due to destruction due to drought + crop failure

The oversupply of labour will lower wages and leave many unemployed

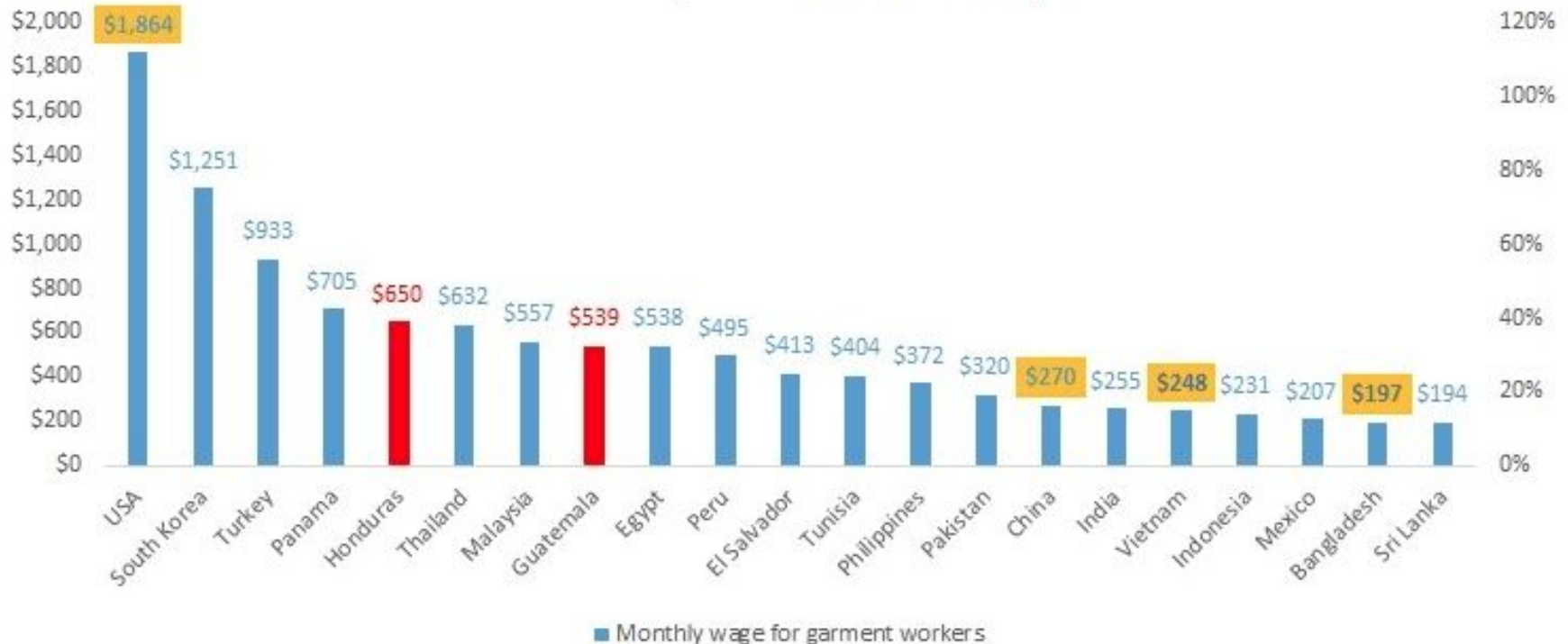


Argument #2: Nations should enforce labor standards

- Ensure ethical standards of living for developing country workers.
 - Large exporters of finished products in developing countries show extremely low wages compared to developed countries.
 - Raising wages will cause less productive firms to exit markets, but expansion and economies of scale for those that remain.
- Ensure safety in the workplace.
 - 2012 Bangladesh and Pakistan garment factory fires
- Maintain competitive wages for labor in developed world to maintain its standards of living, and not substitute it for returns to capital

Labor Standards: Wages

Minimum Monthly Wage for Garment Workers in 2017
(measured in \$US PPP)



Lu, Sheng. "Wage Level for Garment Workers in the World (Updated in 2017)." *FASH455 Global Apparel & Textile Trade and Sourcing*, 5 Mar. 2018, shenglufashion.com/2018/03/04/wage-level-for-garment-workers-in-the-world-updated-in-2017/.

Labor Standards: Wages

The authors found that an industry's vulnerability to Mexican imports significantly lowered wage growth for blue-collar workers in the most affected industries and localities, or those that had been the most protected previously ... Their main finding is that the effects of the NAFTA on wage differentials are large. Blue-collar workers in highly affected industries experienced a 16 percentage point reduction in wage growth as a result of the tariff reductions, while workers without a high school degree experienced an 8 percentage point reduction.

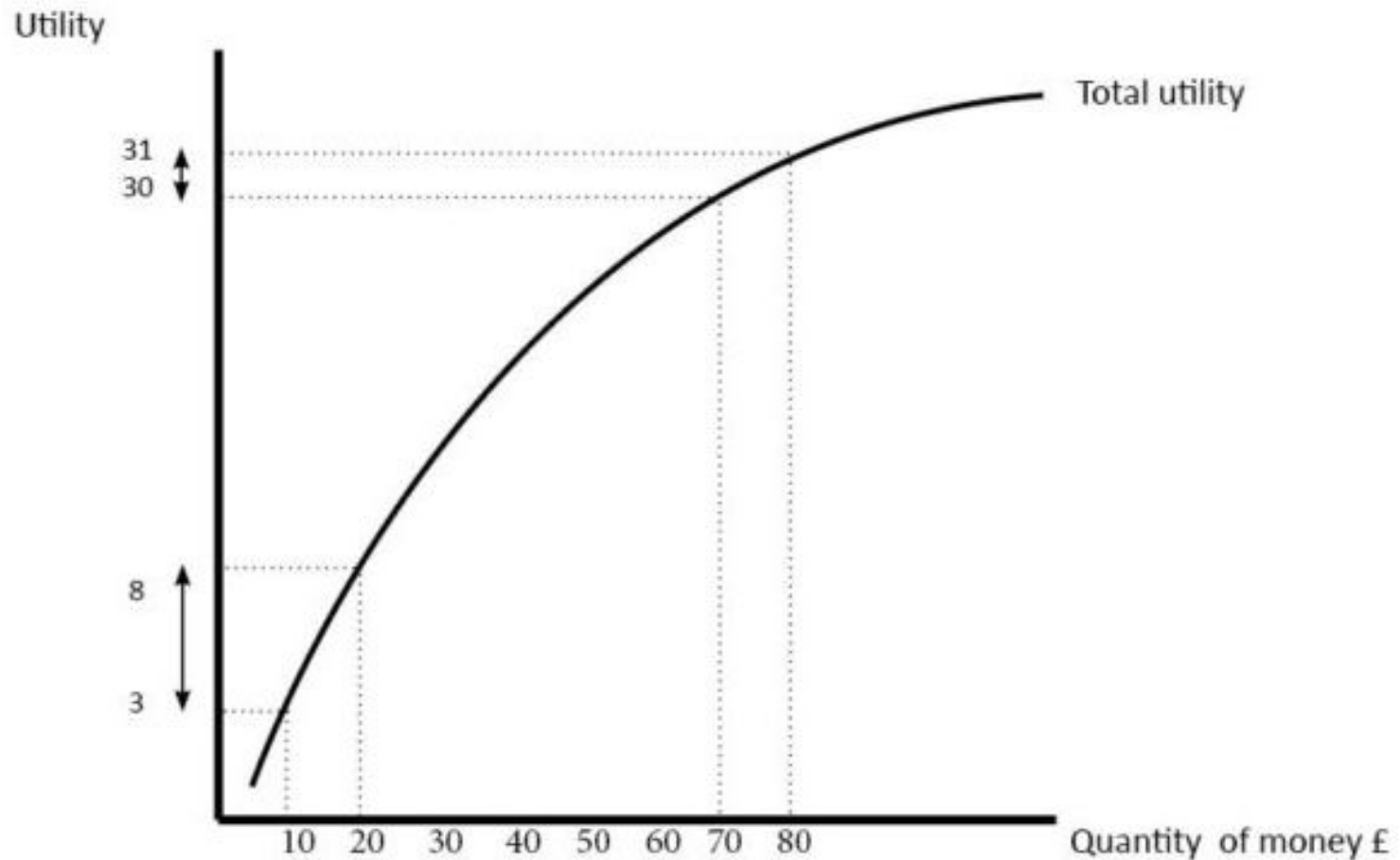
United States International Trade Commission, Economic Impact of Trade Agreements Implemented Under Trade Authorities Procedures, Publication Number: 4614, June 2016, <https://www.usitc.gov/publications/332/pub4614.pdf>

Labor Standards: Wages

- The case for protecting the developed countries:
 - While free trade produces rises in welfare between nations that are nearly and unambiguously agreed as increases, these are not Pareto improvements for all constituents *within* each nation.
- Developing nations are already gaining:
 - Law of diminishing marginal utility

Labor Standards: Wages

Law of Diminishing Marginal Utility



Labor Standards: Safety

They had few options of escape — every exit but one had been locked, officials said, and the windows were mostly barred. In desperation, some flung themselves from the top floors of the four-story building, sustaining serious injuries or worse, witnesses said. But many others failed to make it that far, trapped by an inferno that advanced mercilessly through a building that officials later described as a death trap.

Walsh, Declan, and Salman Masood. “More Than 300 Killed in Pakistani Factory Fires.” *The New York Times*, The New York Times, 12 Sept. 2012, www.nytimes.com/2012/09/13/world/asia/hundreds-die-in-factory-fires-in-pakistan.html.

Labor Standards: Children

Average working hours of children, working only, ages 7-14 (hours per week) 

	2011	2012	2013
Brunei Darussalam
Bangladesh	36.1
Vietnam	..	34.2	..
Pakistan	31.8

<https://databank.worldbank.org/data/reports.aspx?source=2&series=SI.POV.GINI&country=>

Labor Standards: Save the West

Under these conditions, as capital accumulation proceeds vigorously in response to the marginal product of capital staying high or rising, the demand for labour increases but the price paid for labour—the price of T-shirts, jeans, plastic articles consumer electronics—does not increase. In the Western world, the pendulum is not swinging back in favour of labour. Wages in “old” industries lag behind overall income growth and even more so behind profits, even as wages in China and India rise fast as they catch up with the sharply increased productivity of urban compared with rural work ... Meanwhile, in the West “globalization” is blamed, reasonably enough, for low pay.

de Jasay, Anthony. “Low Pay.” *Econlib*,
www.econlib.org/library/Columns/y2007/Jasaylowpay.html.

Argument #3: Nations should enforce intellectual property rights

What Is Intellectual property?

Intellectual Property

Why the Patent System Important?

- Industrial Revolution
- Motivation and Rewards
- Lost Technology

Intellectual Property

International Law

- WTO
- Hauge Agreement

Intellectual Property

Copyright Issues

- Unfair
- Immoral

Intellectual Property

