

International Trade & Environment

This topic will emphasize on the value of global exports & import and the side effect of these economic activities that are causing the negative effect to everybody in the long term and the cause of resource curse. First of all, after the year 1950s, the value of global exports and imports are rising exponentially over time due to “Globalization” involving several countries increase their production, promote free trade agreement, so all of these actions will lead to high economic growth in some countries. However, the international trade also has a negative effect on our world, especially the environment. In the past, during the Industrial Revolution, numerous countries try to burning more fossil fuel that create carbon dioxide into the atmosphere, especially The United Kingdom has the highest emission at that time. In the 20th century, The United States appear a largest emissions, but European countries still dominate too. In the middle of the 20th century, the emerging economy in Asia arising and Europe declining. Furthermore, in the year 2005, China overtake the United States as the greatest annual emission. In 2012, China was the center of shipping containers in the world approximately 33,000,000 units. These will create a huge amount of carbon dioxide, which is the major driver of global warming. Moreover, one of the negative effects of global warming is an increase in sea level around the world, the added water is from melting ice and glaciers and the increment of sea water as it warms. According from the data, if sea level rises continuously, China will get a lot of impact on this situation because their coastal area is below the 10-meter sea level, especially in Shanghai, Shantou, Tianjin, Shenzhen. (Hu Yiwei, 2019) So, I consider that free trade agreements will have a positive impact on the environment, because several countries have more opportunity to access the environment friendly technologies due to the technology advancement over the time. Under the

environmental Kuznets curve, the relationship between environmental quality and economic growth, it is true that pollution tends to fall at higher levels of development. According to the new SMARTer 2020 report, a 16.5 percent deduction in global greenhouse gas arising from smart use of communication technology in many parts of society. Furthermore, when the people have a higher income, they will focus more on the environment quality. Based on the empirical research, the linkage between income growth and environmental quality supports the hypothesis that economic growth causes improvements in environmental quality. (Norton, 1998) On the other hand, the country that has a huge economic growth due to their natural resource wealth, they will face with “the resource curse” or “the paradox of plenty”. The cause of resources curse include the lack of democracy due to large revenues from natural resources, the government is less dependent on levying taxes on citizens and less directly tied to citizen requests. Moreover, it will cause conflict between the citizens in the country, inefficient spending and borrowing, and dutch disease. To illustrate, Myanmar scenario that relate to the conflict between the government and the ethnic group regarding greater autonomy and jade industry.

Finally, if we want to solve the environmental problem, the government needs to take some action involving creating law and regulation, or collecting the tax on pollution.

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Economics of Multinational Enterprises

Generally, this topic will focus on the definition of multinational enterprises, the definition of Foreign Direct Investment (FDI), the impact of FDI to host and home country, and the case study concerning FDI in the Lao PDR. Multinational enterprises have its management in one country, the home country, while also operating branches located in foreign countries. Foreign Direct Investment (FDI) is the investment that makes a firm or individual in one economy with the objective of establishing a lasting interest in an enterprise. Moreover, we have several types of FDI in this world. Firstly, FDI that is based on direction of investment involves inward FDI and outward FDI. If a foreign firm wants to invest in our country, it is called “Inward FDI”. On the other hand, when our domestic firm wants to invest abroad, it is called “Outward FDI”. Secondly, FDI that is based on types of activity include horizontal FDI, and Vertical FDI, which has backward vertical FDI and forward vertical FDI. Thirdly, FDI that is based on modes of entry involve owned subsidiaries, merger and acquisition, joint venture. Moreover, FDI that is based on nationality of investors providing wholly foreign owned, joint ventures between foreign firms and local firms. Continuously, it is based on motive of FDI, “Natural resource-seeking FDI”. To elaborate, Singapore has less natural resources in their country that they need to invest abroad or choose a specific host country to import the natural resources at the lowest relative cost. “Market-seeking FDI” is defined that multinational enterprises try to expand their production outside their own country for seeking the opportunity in the new markets . “Efficient-seeking FDI” is the type of FDI that create intra-firm knowledge and good flows to host countries. “Strategic asset-seeking FDI”, when we want to invest abroad and we need to joint venture with the local firms because they are more specialize in that area or have a wide

relationship to the local people. Moreover, the determinants of FDI will include Firm-specific advantages (FSAs) and Country-specific advantages (CSAs). Another point of view, we will prioritize the case study of FDI in the Lao PDR. According to World Bank data of FDI flows in 2000-2015, it has a huge gap between FDI flows and Approved FDI in the Lao PDR from 2000 to 2013, which is one of the key problems of Lao PDR at that time. We are able to define that the Lao government approves foreign firms to invest is higher than the actual investment that they need to receive. So, the Lao PDR needs to change their regulation to become more effective. From 2013 to 2014, they have a huge change of FDI flows in Lao PDR that they become a full member of WTO and give a lot of confidence to the foreign investor such as China and Vietnam. In addition to a huge change of FDI flows in Lao PDR, the key sectors of Lao foreign investment are Mining and Electricity Generation that produce from hydropower. However, Lao PDR has had a lot of change since 2013, they still have the negative factors which are small market size, unskilled labor, adjusting laws and regulations regularly, lack of some necessary technology and infrastructure, and corruption.

Finally, it is true that the Lao government tries to attract the foreign investors and prioritize FDI flows. However, it is not enough to make the country has the effective development. Therefore, they need to improve the standard of living of their citizens, and encourage the education side.