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International trade between consumer and conservationist countries

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Abstract

We consider trade between a 'consumer' country with an open access renewable resource and a 'conservationist' country that regulates resource harvesting to maximize domestic steady-state utility. In what we call the mild overuse case, the consumer country exports the resource good and suffers steady-state losses from trade, as suggested by the conventional wisdom that weak resource management standards confer a competitive advantage on domestic firms in the resource sector but cause welfare losses. Strikingly, however, when the resource stock is most in jeopardy, the conservationist country exports the resource good in steady state and both countries experience gains from trade. © 1997 Elsevier Science B.V.

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1. Introduction

It is commonly argued that a country adopting weak resource management standards confers a 'competitive advantage' on firms in its domestic resource

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