Private Enterprise Development in Low-Income Countries

Firms and Climate Change: Trade and Economic Geography

15 January 2021

A joint research initiative of the Centre for Economic Policy Research (CEPR) and the Foreign, Commonwealth and Development Office (FCDO).
Trade and Economic Geography

- International trade
- Intranational trade: firm location and supply chain management
- Many actors:
  - Firms in LICs
  - Local governments, consumers, and workers
  - International organisations / governments
  - NGOs
  - Buyers and foreign consumers

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International Trade

• Leakage:
  – Offshoring production of GhG. Relevance and measurement.
    • Location of production or choice of technology? (e.g., energy source)
  – Offshoring consumption: Will environmental technology innovations in HICs (e.g., soy-based plastic) push less green consumption (plastic) to LICs?

• Incentives from foreign markets:
  – E.g., social compliance and pressure from brands and consumers
  – From the LIC’s perspective, what is the proper way to monitor and regulate this?

• Importance of trade restrictions:
  – Is green tech imported or produced domestically? (NK and RM)
  – If imported, how do trade policies affect incentives for adopting?
Internal trade and firm location

- Domestic supply chains
  - How do firms respond to increasing disruption to cross-regional trade?
    - Supply chain redundancy, inventory levels, buying locally, etc.
  - Short-run shocks (e.g., floods) are easier to study, but long-run changes may be more important.
    - Can we learn from past responses to non-climate shocks? (DD)
  - How do these adjustments affect firm location and market dynamics?
  - What is the role of insurance in location choices?

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Toward an agenda

- What is the most useful way to move forward for both policy makers and researchers?
- Should we commission a “stylised facts” paper?
  - Sources of GhGs
  - Sources of green tech adopted by firms in LICs
  - Regulatory and insurance schemes
  - Incentives for grid-level renewables
  - Etc.