

# International Trade and Terrestrial Open-access Renewable Resources in a Small Open Economy

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## Abstract

This paper investigates effects of trade liberalization and policies on deforestation. The analysis is conducted by extending a small open economy model with open-access renewable resources developed by Brander and Taylor (1997a). This paper endogenizes the carrying capacity of the renewable resource by linking it to the “base resource,” e.g., land. Unlike Brander and Taylor (1997a), trade liberalization may increase the forest stock in the resource abundant country and may decrease the forest stock in the resource scarce country. It is also shown that policies primarily aimed at protecting forest stock, such as import restrictions by importing countries and forest certification for well-managed forest, may have perverse effects on the forest stock.

*Keywords:* deforestation; forest certification; open-access resources; renewable resources; small open economy; trade sanctions.

*JEL classification:* F10; Q20.

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