

# **A Sustainable Environment: Our Obligation to Protect God's Gift**

by  
George P. Nassos

## **A Strategy to Reshore U.S. Manufacturing While Reducing Carbon Emissions**

The U.S. government has recently proposed a multi-trillion dollar plan for several actions among which includes bringing more manufacturing jobs to our country and to reduce carbon dioxide emissions 50% below 2005 levels by 2030. These are both very ambitious plans that require very creative strategies.

The Covid pandemic has caused many problems for businesses and people around the world, but as I mentioned a year ago, the pandemic was a positive for what I consider the four major environmental issues. Carbon dioxide emissions have decreased, the consumption of our natural resources decreased as Earth Overshoot Day arrived three weeks later, the consumption of fresh water decreased slightly, and population growth slowed down somewhat. Another benefit of the pandemic for the U.S. was the rethinking of critical products to be manufactured abroad for economic reasons. Two examples are personal protection equipment (PPE) and medical supplies. Rising Chinese labor costs and more concern for security of sensitive products like electronic components has U.S. manufacturers accelerating the reshoring of many products. In March 2020, Canada produced less than one percent of its own PPE, but by October 2020, it produced 70%. President Biden wants to wipe out America's trade deficit by increasing U.S. manufacturing and adding five million jobs.

The U.S. along with many other countries is now committed to meet the Paris Agreement and reduce carbon emissions 60-80% by 2050 in order for the temperature increase from pre-industrial times to be less than 1.5° C. Recent reports have indicated that during 2020, China added almost 30 GW of coal-fired power while the rest of the world reduced coal-fired power plant usage by over 17 GW. So while most of the world is actively reducing carbon emissions, China continues to increase them while growing their GDP.

One way of reducing carbon dioxide emissions is to place a tax on carbon and instituting a universal carbon tax. This would be analogous to the carbon border tax recently proposed by the European Commission. Because this tax could cause some opposition from the World Trade Organization, they are calling it a carbon border adjustment mechanism. To institute such a tax, it would be necessary to determine the amount of carbon dioxide emitted throughout the entire life-cycle from sourcing the materials needed to manufacture the product, the manufacturing process itself, and transporting the product to the end consumer. Since the world's largest manufacturer of products sold in the U.S. is China, and with China's large emissions of carbon dioxide, a carbon tax could serve the same role as a tariff. The shipping of the products would emit additional carbon and thus increase the carbon tax. This combination of employing dirty coal energy technology and shipping products a great distance will make the product more expensive due to the carbon tax.

An alternative site to manufacturing products in China is Mexico. The labor rates in China are rising faster, and as of 2019 they were 14% greater than in Mexico. In fact, the labor cost for Chinese products is now five times higher than it was 20 years ago. The one-child policy in China has caused a labor shortage and coupled with increased demand, the labor rates will continue to increase.

So what does this mean? If the cost of manufacturing products in Mexico for shipment to the U.S. is less than those from China, this carbon tax will shift manufacturing to Mexico. This means a better economy for Mexico and more jobs in Mexico. This will also slow down the illegal immigration to the U.S. from Mexico, and it may even shift the movement of Mexicans from the U.S. back to their families in Mexico. If this movement actually happens, it would mean more job opportunities in the U.S.

If we can be really optimistic, how about reducing the shipping distance (from Mexico) even more by producing in the U.S.? If we can manufacture products more efficiently and by using cleaner power generation, the addition of the carbon tax could eventually make products from the U.S. cheaper than from China. Then we could bring even more jobs back to the U.S. as being proposed by President Biden. We will have then reduced our trade deficit with China, reduced carbon emissions and reduced illegal immigration. Adding this carbon tax would give everyone a greater incentive to reduce carbon emissions.

Now you are probably asking whether this could really happen. Since this proposal would be detrimental to China, they may not agree to this universal carbon tax until their energy production becomes primarily renewable.

And then there are still some unanswered questions. Would the carbon emitter in each step of the process collect the tax? Or would the country of the end consumer collect the total carbon tax? And what would be done with this tax money, or I should say the “carbon border adjustment mechanism”?