

Abstract

The concept of a green economy has emerged as a new potential development engine. One obvious way considered in greening of economies is by promoting the trade of Environmental Goods and Services (EGS). The WTO has been claiming that trade liberalization in environmental goods and services (EGS) would benefit both developed and developing countries; it would allow simultaneously environmental protection improvement and economic development. This study aims to empirically investigate the impact of opening trade of EGs on environmental quality considering CO₂, NO_x and SO₂ pollutants. A cross sectional analysis was done for the eight years considering 62 countries. Trade of 320 goods designated as EGs of WTO list of 2011 were used as the EGs

Following the empirical estimation of three pollution functions, this study finds that EGS trade intensity has negative net impact on SO₂ emissions compared to the positive impact of non EGs trade intensity on emissions. Falling of 9 grams of per capita SO₂ emissions is achieved for increase of one dollar worth of trade per million dollar of GDP compared to the increase of 1.3 kilo grams of pollution associated with increase of one dollar worth of trade of non EGs trade per million dollars of GDP. That change in SO₂ emissions arising from EGs trade liberalization originates due to differences in capital-labor endowments rather than per capita income.

The empirical findings formally supports for the liberalization of EGs as the net effect of the trade liberalization of EGs is negative compared to the trade liberalization of non EGs goods. However liberalization of EGs trade favours the capital abundant north reducing the emissions.

The findings are plausible only for estimated emissions functions and subjected to the selected categories of products in the WTO list. The results can be misleading while asserting that trade intensity of EGs of any classification improves the environmental quality.