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**ZUGRAVU- SOILITA N. (CEMOTEV), 'TRADE
IN ENVIRONMENTAL GOODS AND AIR
POLLUTION : A MEDIATION ANALYSIS TO
ESTIMATE TOTAL, DIRECT AND INDIRECT
EFFECTS', ENVIRONMENTAL AND
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Estimate Total, Direct and Indirect Effects"**

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Abstract

Based on panel data covering 114 countries between 1996 and 2011, this study investigates the impact on pollution of trade in environmental goods (EGs). We check the validity of the implicit consequences assumed by the win–win scenario in the current trade-climate negotiations, arguing that market dynamics should guarantee that EGs' liberalization is 'automatically' in the interest of all countries, regardless their market and institutional capacities. We show that trade in EGs alone fail to address environmental problems effectively. In particular, although we found efficiency gains from trade in EGs (in terms of CO₂ and SO₂ emissions per 1 US\$ of GDP), and more recurrently for net exporters than for net importers, our results often failed to highlight environmental effectiveness (in terms of total CO₂ and SO₂ emissions). A general conclusion that emerges from our empirical results is that trade [in EGs] cannot effectively replace non-market-based solutions, when it comes to non-trade objectives. However, it seems to complement them efficiently. Our multiple-equation GMM estimations reveal specific direct, indirect and total effects on pollution depending on the countries' net trade status, leading to several policy recommendations for an increased environmental effectiveness of trade in EGs.

Keywords

CO₂ emissions, Environmental goods, Environmental goods agreement, Environmental policy, International trade, Net exporter, Net importer, Pollution, SO₂ emissions

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