

Testing the PHH in a Resource-cursed Country: The Case of Iran. An Input-Output Analysis.

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International trade promotes economic growth and development. And economic growth is associated with energy use, which contributes to environmental degradation. So in essence free trade compromises environmental quality but favors distributional income improvements and economic prosperity. Iran is the world's ninth largest emitter of CO₂ according to a 2016 report by the International Energy Agency. An investigation into a CO₂ emission, as embodied in Iran's imports and exports is likely worthwhile. This paper aims at contributing to environment trade debate by evaluating the impacts of international trade on emissions of CO₂ (Carbon Dioxide), we have used an index of pollution terms of trade.

We examined changes in Iran's emissions of CO₂ as embodied in trade using Iran's (industry by industry) input-output accounts for 2006-2007 and 2011-2012. I thus examine whether Iran's economy leans toward being a pollution haven, an economy that has a particular set of factor endowments like oil production, neither, or both. This paper challenged the compatibility between environmental and international trade policies. Results show that the indices are below 100, indicating that Iran produced goods that are more environment friendly than goods it imports, thus challenging the pollution haven hypothesis for Iran.

Key words: International trade, environment, pollution haven, IO Analysis.

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