

Environmental regulation and sectoral development

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The threatening growth of the level of pollution in many regions has led to more and more environmental concerns in the society. This growth of environmental awareness resulted in several international initiatives directed towards the reduction of pollution levels in the future, such as the Kyoto agreement, the European Emissions Trading Scheme and other initiatives. Environmental input-output analysis can be a powerful tool to study the effects of environmental policies on the sectoral changes within national economies and reallocation of international trade in the world economy.

In this paper we provide an analytical framework incorporating the effects of environmental regulation for the allocation of production and trade patterns in the model with several economies. This paper builds on our earlier work concerning the application of input-output analysis for the analysis of international trade. As an illustration we apply the framework developed in this paper to the analysis of different environmental policy scenarios on the trade among some EU economies.