

Pollution Policies, Comparative Advantage and “Dirty” Export Performance Towards Empirical Analysis

Luke Atazona

This paper examines the effects of pollution policies on manufacturing exports, using the newly available dataset on environmental taxes, levies and fees to exploit and correct for possible limitations associated with PACE data namely aggregation bias, unobserved foreign regulations and unobserved heterogeneity. The paper finds that stringent environmental regulations have systematic adverse effects on the growth of exports in polluting industries in both the OLS and GLS estimations. However, estimations in the RE and FE provide empirical support to the Porter Hypothesis. Taking into account possible limitations with the FE, we conclude that the lack of robust evidence elsewhere may be explained, in part, by the nature of the data and the econometric techniques that have been employed. As further research, we suggest alternative estimation strategy and instrumentation to provide deeper insights into these findings.