

Trade Outcomes of Agri-Environmental Regulations' Heterogeneity: New Evidence from a Gravity Model

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Abstract : In a world context of increasing interest in environmental issues, this paper investigates the effect of agri-environmental regulations heterogeneity on the volume of crop commodities' exports using a theoretically justified gravity model of Anderson and van Wincoop (2003) for the 2003-2013 period. Our findings show that the difference in exporter and importer environmental regulations is more relevant to agricultural trade than trade agreements. In fact, the environmental gap between the two partners is decreasing slightly but significantly crop commodities' exports according to our results. We also note that the sector of fruit and vegetables is more sensitive to this determinant, unlike cereals that remain relatively less affected. Furthermore, high-income countries have more tendency to trade with countries characterized by similar environmental stringency. Further results show that the BRICS are clearly importing from developed countries where the environmental difference is relatively important. It is likely that emerging countries are witnessing a growing demand for high-quality and "green" crop commodities captured by high-income exporters. Surprisingly, our results suggest that low and middle-income countries with the same level of environmental stringency are more likely to trade crop commodities.

Keywords : agricultural trade, environment, gravity model, food crops, agri-environmental efficiency, DEA

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