

Trade Liberalisation and South Africa's CO2 Emissions

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Abstract : The effect of trade liberalization on environmental conditions has yielded a great deal of debate in the current energy economics literature. Although research on the relationship between income growth and CO2 emissions is not new in South Africa, few studies address the role that South Africa's foreign trade plays in this context. This paper undertakes to investigate empirically the impact of South Africa's foreign trade reforms over the last four decades on its energy consumption and CO2 emissions by taking into account not only the direct effect of trade on each, but also its indirect effect through income induced growth. Using co integration techniques we attempt to disentangle the long and short-run relationship between trade openness, income per capita and energy consumption and CO2 emissions in South Africa. The preliminary results of this study find support for a positive bi-directional relationship between output and CO2 emissions, as well as between trade openness and CO2. This evidence confirms the expectation that as the South African economy opens up to foreign trade and experiences growth in per capita income, the countries CO2 emissions will increase.

Keywords : trade openness, CO2 emissions, cointegration, South Africa

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