

## Property Rights and Trade Specialization

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**Abstract :** The relationship between property rights and trade specialization is examined for developing and developed countries using panel data analysis. Property rights is measured using the international property rights index while trade specialization is measured using the comparative advantage index. Cross country differences in property rights are hypothesized to lead to differences in trade specialization. Based on the argument that a weak protection of natural resources implies greater trade in resource-intensive goods, developing countries with less defined property rights are hypothesized to have a comparative advantage in resource-based exports while countries with more defined property rights will not have an advantage in resource-intensive goods. Evidence suggests that developing countries with weaker environmental protection index but are rich in natural resources do specialize in the trade of resource-intensive goods. The finding suggests that institutional frameworks to increase the stringency of environmental protection of resources may be needed to diversify exports away from the trade of resource-intensive goods.

**Keywords :** environmental protection, panel data, renewable resources, trade specialization

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