

# Does Environmental Regulation Stringency Influence Trade?

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## **Abstract**

Since the early seventies policy makers and academics alike, have been paying an increasing attention to the impact environmental policy might have on foreign trade. While there is a debate here over the impact of environmental regulation on competitiveness, it is essentially an empirical question. In a world context of increasing interdependence, the environmental policies tend to have some impacts on the level and pattern of commerce. Trade can be directly or indirectly influenced by environmental regulation, which imposes additional costs to the producers. The adequacy to new environmental patterns can demand changes on certain production techniques and final goods and these environmental regulations can be even supported by trade restrictions in order to become effective.

Because environmental regulations differ across countries, environmental protection and international trade are inextricably linked. A country adopting relatively strict environmental standards will increase the costs of its domestic firms and may harm their ability to compete with overseas rivals. This paper aim is examination the effects on competitiveness occurring in the environmental regulation stringency in the EU region.

**Keyword:** Environmental Regulation, Trade, EU Region.

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