

Trade Liberalization and its Environmental Impact in South Africa: An Empirical Analysis

ABSTRACT

Over the past decade, South Africa's trade has been liberalized gradually. This increasing trade liberalization coupled with the laxity of South Africa's environmental laws creates, theoretically, the perfect condition for the existence of a pollution haven effect. The pollution haven effect occurs when trade liberalization, coupled with lax environmental regulations, results in increasing economic activity in pollution intensive industries. This effect is mostly said to happen in developing countries. Using industry level data for forty-five manufacturing industries, this paper looks at output and export trends and attempts to find evidence that trade liberalization is associated with a shift in production and exportation towards pollution intensive goods. This study finds weak evidence for the pollution haven hypothesis when looking at output trends but stronger evidence is found when export trends are observed.

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