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Poster 7

ARE ECONOMIC GROWTH AND FOREIGN DIRECT INVESTMENT BAD FOR THE ENVIRONMENT?

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We analyze the impact of foreign direct investment, trade openess, environmental agreements and economic growth on emissions of global pollutants (CO_2, HFC, PFC, SF_6), biochemical oxygen demand (BOD), and local pollutants (NO_2, SO_2). Our econometric approach takes into account that all of these variables can be influenced by common factors, some of which unobservable. We compute short term and long term impacts for developed and developing countries. Our results show that foreign direct investment induces increases in greenhouse gaz (GHG) emissions and in BOD in developing countries, but that it has no effect on GHG emissions in developed countries. Foreign direct investment tends to decrease emissions of local pollutants in developed and developing countries. As for economic growth, it typically has adverse (beneficial) environmental effects below(above) a certain threshold in per capita income. We estimated these threshold income levels at \$27602/person and \$26050/person for developing and developed countries for CO_2 emissions. The effects of environmental agreements are more evident for developed countries than for developing countries. Finally, trade openness tends to reduce emissions of pollutants in rich and poor countries.