

**Did International Trade Become Dirtier for Developing Countries?
Investigation for the Balance of Embodied Emission in Trade**

January 2012

Satoshi Honma and Yushi Yoshida*

Faculty of Economics
Kyushu Sangyo University

Abstract

Using the world panel dataset for the pollution emission embedded in international trade for the period between 1988 and 2009, we investigate whether the balance of embodied emission in trade (BEET) is consistent with the implication of pollution haven hypothesis. The empirical evidence provides a partial support that income level and democracy level of countries are negatively related with the BEET. Thus, a country with more democratic institution and higher income level is more likely to export more of industries with a lower intensity of pollution emission and import more of industries with a higher intensity of pollution emission.

Keywords: Composition effect; Environment; International trade; Pollution emission; Pollution haven hypothesis.

JEL Classification Codes: F18; O13; Q56.

*Yushi Yoshida (corresponding author), yushi@ip.kyusan-u.ac.jp. Satoshi Honma, honma@ip.kyusan-u.ac.jp. We would like to thank Akira Hibiki, Naoto Jinji, Shunsuke Managi, Tetsuya Tsurumi, Jinmin Wan for their valuable comments on the earlier draft of this paper. We also thank able research assistance by Kyosuke Matsumoto and Yusuke Nomura. This research is financially supported by Grant-in-Aid for Scientific Research (C)22530253 from the JSPS.