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The impact of trade liberalization of environmental products on welfare, trade, and the environment in Argentina

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Abstract

The 2001 Doha Ministerial Declaration singled out trade liberalization of environmental goods and services (EGS) as a way to achieve sustainable development by creating a triple-win situation for trade, development, and the environment. Several proposals for EGS trade liberalization have been submitted to the World Trade Organization. This study aims to evaluate the multilateral elimination of tariffs on EGS based on four lists, namely those of Asia-Pacific Economic Cooperation (APEC), Japan, the Organisation for Economic Co-operation and Development (OECD), and the United Nations Conference on Trade and Development – Environmentally Preferable Products (UNCTAD-EPP) list. By applying a two-step methodology that combines the MIRAGE-e computable general equilibrium (CGE) model and a microsimulation model, the study assesses the potential effects of EGS trade liberalization on trade, welfare and its distribution across households, and CO₂ emissions, with a particular focus on Argentina. In the first step, the CGE model provides changes in macroeconomic, environmental, and sector variables in different regions of the world resulting from simulated scenarios. The second step uses changes in consumer prices and wages from the CGE model simulations to analyse the welfare impact across households in Argentina. The findings show that the UNCTAD-EPP list is the only one that leads to a triple-win situation for Argentina. The Japanese and APEC lists generate increases in welfare and trade, but fail to reduce CO₂ emissions in Argentina. The Japanese list creates the second-most-significant welfare increase after the UNCTAD-EPP list, so it can be considered as a second-best EGS trade liberalization scenario for Argentina. The study also proposes possible ways to enhance the positive impact of EGS trade liberalization through the introduction of different forms of special and differential treatment provisions for developing countries. These recommendations point to the need to go beyond the list approach, as already suggested in proposals from some developing countries.

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