

# ***Environmental Consequences of Trade Agreements: A Panel Data Analysis.***

**SUNISHTHA YADAV**

## **ABSTRACT**

Future of the world could rightly be explained by economic growth and environmental protection needed for improved human well-being. Preferential trade agreements are increasingly connecting the environment and trade. Despite the broad scope of environmental provisions in trade agreements, research related towards causes and consequences of the trade-environment relationship is scarce. With economies integrating and preferential trade agreements going deeper it is important to assess environment quality through the lens of preferential trade deals, or their "horizontal depth." The objective of this paper is to assess the possible impacts of deep trade agreements on environment along with empirically verifying the existence of EKC Hypothesis. Using panel data on 67 countries from 1990 to 2015, various econometric models conducted – Fixed and Random Effects, Driscoll Kraay and Newey standard errors. Results indicate that our depth index variable – PCA rank is negative and significant in affecting CO2 emissions per capita but the effect is nominal i.e. with countries preferential trade agreements going deeper over time impact on CO2 emissions per capita sees a minor reduction. An inverted U-shaped between environment quality and economic growth is evident thus, supporting the EKC Hypothesis. Reduced emissions being a global target to achieve and with the UN Report (2019) mentioning right mix of energy essential in reducing emissions – increased renewable consumption to balance energy mix is the need for future. The paper concludes that deep trade agreements between countries aren't stringent or binding enough to curb economic activities having negative impact on carbon emissions or improve environment quality.