

## Chapter 70

# Revisiting the Conflicts between ‘Environmental Taxes vs Standard’ in the Context of International Trade: The Role of Waste Recycling

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### **ABSTRACT**

*The present paper throws light on the famous “tax versus standard” debate in the sphere of environmental economics by using general equilibrium framework and tries to examine which of the two, i.e., tax or standard is the better way to deal with pollution. It has done so in the presence of a waste recycling sector which is the unique feature of it and has shown the impact of tax and standard separately on different polluting and non-polluting sectors of the economy. The study has developed a unique as well as an interesting result that in the presence of a waste recycling sector in the economy, both pollution tax and environmental standard have the same impact.*

DOI: 10.4018/978-1-7998-1210-4.ch070

## 1. INTRODUCTION

Over the last two and a half decades, perhaps the most relevant, worrying and most thought over issue worldwide has been global warming and the root cause of it, environmental pollution and how to deal with it for the sake of saving this planet. There may be no wrong in saying that an upsurge in the population growth and an urge for rapid development have contributed to the present scenario of environmental degradation. But the need for development cannot be denied either considering the fact that over two third of the population worldwide still belongs to developing economies. In order to become developed, it is necessary to fasten the production process and other economic activities and here lies the tragedy of the poor nations because such activities are contributing to the devastating environmental pollution. For sustainable development, it is therefore necessary to adopt proper measures that can continue the production process yet do not create pollution to an extreme level. The measures which are available to the controlling authority for dealing with pollution have given birth to the famous debate of environmental economics: "tax versus standard", that is, the authority can either impose tax on the polluting industries or they may reduce the maximum allowable level of pollution for the sake of environment. Developed countries, with their good capital base, have started using those technologies that will not create pollution. This technology may be referred to as "green technology" or "green capital." Developing nations, mostly, do not even possess such technology for being poor. Therefore, they either cannot use such sophisticated technology or even if they can, they use it in selected; few areas, not in all sectors of the economy because of lack of capital. Developing economies largely either imposes tax or restricts the emitting level and, if possible, uses "green technology" in very few areas.

Green technology generally enters in developing economies through the inflow of foreign capital or foreign investment and in the presence of globalization<sup>1</sup> this trend is expected to grow where a developing nation would come across foreign entrepreneurs possessing pollution free technical knowhow. So the use of "green technology" in a developing nation initiates mainly through foreign investment. There are empirical evidences in support of this argument.<sup>2</sup>

One more important aspect that has gained momentum and earned respect in the modern world is the recycling and reusing a product. During the production process, there may be few things which become obsolete but there may be few things which may be re-used and may be given the shape of another product through the process of recycling. Recycling is the process of separating, collecting and remanufacturing or converting used or waste products into new materials. The recycling process involves a series of steps to produce new products. Recycling helps to extend the life and usefulness of something that has already served its initial purpose by producing something that is useable. Recycling has a lot of benefits and importance not only to us humans but especially to our planet. Recycling is very important as waste has a huge negative impact on the natural environment. A few of these impacts are:

1. Harmful chemicals and greenhouse gasses are released from rubbish in landfill sites. Recycling helps to reduce the pollution caused by waste;
2. Habitat destruction and global warming are some the effects caused by deforestation. Recycling reduces the need for raw materials so that the rainforests can be preserved;
3. Huge amounts of energy are used when making products from raw materials. Recycling requires much less energy and therefore helps to preserve natural resources.

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