

Chapter 4

FOREIGN TRADE AND CO₂ EMISSIONS IN THE EUROPEAN UNION

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INTRODUCTION

For centuries, foreign trade has been one of the main determinants of the increase in production and the achievement of countries' economic growth and development targets. In the aftermath of the Second World War, more importance was attached to the liberalization of foreign trade on a global scale (İncekara, 1995). The global gross domestic product, which was USD 1,366 billion in 1960, reached USD 80,684 trillion in 2017. While the value of exported goods was USD 156,866 billion in 1960, this value was USD 22.8 trillion in 2017. The share of global trade of goods and services within the gross national product must also be addressed to better understand the pace of development. While global exports of goods and services accounted for 11.8% of the global gross national product in the 1960s, this ratio was 28.5% in 2017 (www.worldbank.org, 01.08.2018). Moreover, it should be noted that the global economic crisis of 2007-2008 caused a global recession that led to a slowdown in production and foreign trade; however, the growth continued despite this.

It is generally accepted that the liberalization of foreign trade and its increasing share in production have a positive impact on global welfare. On the other hand, the environmental consequences of the foreign trade activities have been a primary topic of debate between trade politicians and environmentalists. Today, the use of fossil energies during foreign trade activities triggers the increase in carbon dioxide emissions, resulting in global warming, climate change and environmental damage, which is a global concern for both developed and developing countries (Copeland and Taylor, 2004). The CO₂ gas is the gas that causes the greatest greenhouse effect in the atmosphere among other greenhouse gases, with a rate of 82%. Carbon dioxide holds the infrared rays reflected in the atmosphere and plays an important role in maintaining the temperature balance of the atmosphere (Akin, 2006). According to the measurements by the Earth System Research Laboratory,

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concern for companies and multinational corporations that are engaged in foreign trade, they are crucial for future generations to be able to use the currently available natural resources.

Finally, the realization of empirical practices similar to this study, which handles the EU member states (28) individually, as well as studies with different variables representing the environmental pollution, energy use and the location selections of local/multinational corporations engaged in foreign trade activities can help policymakers to make more rational decisions.

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