



**ENDOGENOUS GROWTH,
INTERNATIONAL TRADE AND THE
ENVIRONMENT**

BY

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ABSTRACT

We develop a dynamic model that explicitly considers the trans-boundary pollution problem between two asymmetric countries. We found that the countries will enjoy higher long run growth rates and a higher environmental quality when they coordinate their environmental policies. Furthermore, the two countries suffer more heavily not cooperating with each other when their attitudes towards a cleaner environment differ greatly. The implication is that despite the inherent differences in their development level and in their environmental attitudes, developed and developing countries are strongly encouraged to cooperate environmentally. In the second part of the thesis, we turn the focus to the role of international trade in relation to economic growth and the environment. We found that the long run growth rates of the countries are lower when they engage in international trade, no matter whether the environmental externality is internalised or not. The impact of trade on welfare however is ambiguous.

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