

DOCUMENTATIEBLAD

**Competitiveness, Environmental Policy
and the Location of Industry**Tom Verbeke^{a,b*}Marc De Clercq^a^aCentre for Environmental Economics and Environmental Management^bVLEKHO, Koningsstraat 336, 1030 Brussels (Belgium)

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Email: Tom.Verbeke@UGent.be, Tel. 09 264 35 03, Fax 09 264 35 99***Abstract***

The literature that deals with environmental policy and competitiveness has largely approached these issues in a partial way. Authors who analyze the impact of environmental policy on competitiveness and location decisions of firms tend to focus on the impact of an exogenous change in environmental policy. Literature on the impact of the "openness of an economy" on environmental policy stringency and policy competition typically assumes that 2 governments act strategically in their choice of environmental policy stringency levels in a world with 1 firm who decides where to locate. In this paper we review the literature on competitiveness and environmental policy. We also introduce the New Economic Geography literature which enables to determine both the stringency of environmental policy as well as the location choice of firms.

Keywords: Environmental policy, policy competition, location behavior**JEL:** F18; Q28; D21