

Transfers as a Means to Combat European Spillovers

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Summary

In 2004, there was a further enlargement of the European Union. Among the new member countries are eight Central and Eastern European countries. Especially the accession countries located directly at the border to the EU generate significant environmental spillovers harming the Union. These spillovers are mitigated but not deleted by the enlargement regulations.

In this paper we will therefore analyze an instrument which may further diminish the spillover problems: transfers, which are conditional on a tightening of environmental policy in the accession countries. The environmental policy considered is the policy of environmental taxation.