

Environmental Standards and Trade: Evidence from a Natural Experiment

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Abstract

Exploiting a natural experiment involving the imposition of technical regulations on the Indian leather and textile industries, I use a firm-level dataset to study the trade, adaptation and discontinuity effects and how they vary by firm size. I find (a) evidence of a signalling effect - regulation significantly increases the exports of a firm through the use of new technology and high quality imported raw materials; (b) this gain is highest for the upper-middle and big size cohort of the firm distribution, i.e., in the 3rd and 4th quartile; (c) use of high-quality raw materials (both imported and domestic) and productivity significantly account for low exit probabilities of a firm; and (d) evidence of spillover effects, i.e., product innovation in case of the upstream (chemical) firms.

Speaker Profile:

Pavel Chakraborty is a Research Fellow affiliated to the Oxford Centre for the Analysis of Resource Rich Economies in the Department of Economics at the University of Oxford.

He holds a PhD in Economics from the Graduate Institute (IHEID), Geneva in 2013. He also has an MA in Economics from Syracuse University (2009) and Jawaharlal Nehru University (2003).

Pavel works on international trade issues at the firm-level using Indian firm-level dataset. His PhD thesis looks at three different important policy questions utilising the firm-level data: (i) the effect of an environmental regulation on the exporting behaviour of some particular Indian industries; (ii) the channels of the effect of trade collapse of 2008-09 on the average exports of an Indian firm; (iii) how judicial quality affects regional firm-level exports? In his postdoctoral work, he would like to continue to explore different set of issues regarding the effect of trade on technical change, agglomeration, export participation of a firm and several others.