Exporting and the Environment: Evidence from the End of the Multi Fibre Agreement

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Abstract

This paper investigates the impact of export market access on the environmental emission intensity of firms in the developing world. Heterogeneous-firm trade models predict that trade liberalization impacts emission intensity through both technological upgrading (firm-product effects) and within-firm compositional shifts (product-mix effects), though the two impacts have never been separately identified before. We exploit the liberalization of import quotas in textile and apparel between the US and the rest of the world to estimate first-stage impacts on exports and reduced-form impacts on emission intensity of Indian firms. We find that liberalization lead to lower exports from Indian firms due to ``crowding-out" effects via increased third-country exports, such as from China, and higher emission intensity at the firm and firm-product level. The results imply that increased export activity reduces emission intensity at the firm level.