

BROWNBAG SEMINAR CUM RESEARCH FINDING SEMINAR

Date: 14 March 2023 (Tuesday)

Time: 12:00nn - 1:00pm

**Venue: WYL314, 3/F, Dorothy Y. L. Wong Building,
Lingnan University**

Register [HERE](#):



Does Air Pollution Affect Exports? Evidence from China

Presenter: Ms. BAI Jie (ECON PhD student)

Chief Supervisor: Prof. QIU Dongxiao, Larry; Co-supervisor: Prof. WANG Yonglin, Laura

Abstract: The literature on the correlation between trade and environment is vast, but studies almost exclusively focus on the causal effects of trade on environment. This study examines the reverse effects. We use Chinese export and pollution data, at firm and county levels, over the period of 2000 - 2007 to investigate whether and how air pollution affects firms' exports. Using PM2.5 concentrations as a proxy for air pollution and employing thermal inversion as an instrumental variable, we find that a 1% increase in PM2.5 leads to a 0.79% reduction in firms' exports. This adverse effects of air pollution on exports are mainly attributed to the intensive margins as opposed to the extensive margins. Our mechanism analysis identifies two channels: (1) air pollution decreases exports by reducing firm productivity, and (2) air pollution invites stringent environmental regulations, which reduces exports as firms need to increase abatement costs or reduce production to meet the environment standards.