

Do Partner-Country Climate Change Related Policies Impact Indian Exports? Evidence from PPML Results

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Abstract: In the era of evolving climate change policy dynamics, it is important to evaluate whether various forms of regulations in partner countries might function as instruments for protectionism and divert exports from a developing economy. This analysis examines the impact of key sustainability policy-related determinants on India's aggregate bilateral exports to key partner countries over last three decades, using Poisson Pseudo-Maximum Likelihood (PPML) estimator with two-way (partner and year) fixed effects. Empirical results reveal that policy interventions extended for facilitating innovation in partner countries significantly hurt India's export interests. In addition, market-based environmental policies and multilateral commitments (e.g., ratification of the Paris Agreement) are associated with a decline in India's exports. Finally, difference in carbon intensity negatively impacts the country's exports, underlining the need for corrective measures. The results indicate that innovation supports and market-based policies might function as non-tariff measures (NTMs) to trade flows from a developing country, posited in the early phase of implementing emission abatement strategies.

Keywords: Indian Aggregate Exports, Climate Change Related Policy, CO₂ Emissions, Carbon Pricing Mechanism, Innovation Support Policies

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