

Effects of Environmental Regulations on bilateral trade flows

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Abstract

Stringent environmental regulations are generally thought to harm export flows. This argument is crucial in determining mutual policy recommendations for environmental preservation and international competitiveness. Using bilateral trade data, we examine the relationship between trade flows and three kinds of environmental stringency indices. We use gravity equation applying two-step GMM to take endogeneity into considerations. Our results imply that stringency could have beneficial effects on trade flows.