

## **International Outsourcing, Carbon Leakage, and Employment Leakage**

Topic: Special WIOD-session 1: Environmental Aspects of International Trade 1

Author: Kurt Kratena

This paper deals with the impact of outsourcing from the EU27 on employment demand and simultaneously on energy demand and air emissions. The analysis is based on a model of production (Translog cost function and factor demand), allowing for factor biased technical change and outsourcing in terms of imported intermediates. The impact on employment as well as on energy/environment is determined by a pure substitution effect as well as by a cost saving effect of outsourcing. The analysis reveals how the historical trends in integration have contributed to outsourcing and how this in turn has led to employment and energy/environment impacts. The simultaneous impact of policies that increase energy (carbon) prices on carbon and employment leakage can also be shown.