

## **Dynamics of China's pollution terms of trade and their determinants**

Topic: 814F Trade and Environment

Author: Yuwan DUAN

Co-Authors: Xuemei Jiang

This paper has investigated the dynamics of China's environmental outcomes relative to its economic gains from international trade from 1995 to 2009 by using the World Input-Output Database. The results suggest that China suffers from more emission to obtain per unit of value added through its exports than do its trade partners. However, the gap declined quickly from 1995 to 2001, but since then has slightly increased. The driving forces behind the dynamics of China's pollution terms of trade (PTT) are further explored by using structural decomposition analysis. The decomposition results show that the technology effect is the main driving force behind these dynamics, while the global trade pattern has played an increasing role in the dynamics of PTT especially after 2001, with opposite effects on China's PTT in trade with different income groups.