

**Testing the pollution haven effect:
Accounting international intermediate goods trade**

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Abstract

By taking account of intermediate trade, we examine the balance of embodied emission in trade (BEET) for CO₂ for 40 countries for the period between 1995 and 2009. The BEET for CO₂ is carefully constructed by implementing the input-output tables for all 40 countries disaggregated at 35 industries. We find that the largest carbon surplus countries are China, Russia and developing countries which are represented by the rest of the world, whereas the largest carbon deficit country is the United States. Moreover, regression estimates show that income level is negatively related with the BEET which supports the pollution haven hypothesis.

Keywords: Balance of embodied emission in trade; Input-output table; International trade; Pollution haven hypothesis.

JEL Classification Codes: F18; O13; Q56.

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