



## China's Environmental Policy and its Trade Pattern with Emerging Trade Partners from the BRI Countries

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### ABSTRACT

China's Belt and Road Initiative (BRI) is a mega infrastructure development project. It has significantly increased the trade between China and the BRI countries via infrastructure development and regional connectivity. Since it began in 2013, the number of its member countries has increased to about 145. However, 72 BRI countries have shown a significant trade dependency on China, and China has become a major trade partner for most of them. Recently, China has expressed its commitment to environmental protection by following stringent environmental policies. Since these 72 BRI countries are heavily dependent on China for their trade, it is expected that China's stringent environmental policy will have a potential environmental impact on these countries. This paper, therefore, aims to empirically examine whether China's stringent environmental policy will have a significant effect on its trade with the BRI countries in terms of pollution-intensive goods and environmental goods. For this purpose, the current study uses the gravity model of trade as an empirical model. Moreover, for the regression analysis, the current study employs the Poisson Pseudo Maximum Likelihood (PPML) estimation technique which can solve the issue of missing observations in trade data. Besides, this study has considered a sample of 72 BRI countries, with a panel dataset for the period 2001-2022. All the data has been obtained from various reliable sources including World Integrated Trade Solution (WITS) and others. The results suggest that China's environmental policy stringency significantly increases China's trade with the BRI countries in both pollution-intensive goods and environmental goods. Moreover, the significant effect is relatively greater in case of the environmental goods. The policy recommendations stress the fact that these 72 BRI countries should take advantage of having trade dependency on China to receive more environmental technology from China.

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