

ABSTRACT

The aim of the research is to evaluate the possible economic and environmental outcome of China's plan to raise tariff on the US energy products. GTAP-E model simulation is used as CGE analysis because it is regarded as the most suitable method. Scenarios in this research are divided into energy-protection scenarios with and without retaliation. The results show that the policy will cost the United States its GDP, while trade balance will increase. On the other hand, China will not experience change in GDP, but it will gain a positive change in trade balance. Other countries such as Venezuela, Russia, Indonesia, Australia, and Vietnam will gain considerable amount of GDP. Trade diversion towards third market is also present in both China and the US. Environmental outcome shows that the policy will cost China's environment due to a significant increase in switching towards domestic energy consumption.

Keywords: GTAP model, emissions, import tariff, energy products