

**Response to the Referee 1 Evaluation Report on Our Paper Entitled
"Environmental Regulation of a Global Pollution Externality in a Bilateral Trade
Framework: The Case of Global Warming, China and the US"**

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We would like to sincerely thank Referee 1 for the positive comments in outlining the strengths of our paper. The reviewer suggested that the paper could be enhanced with the help of individual graphs to show how the equilibrium curves interact with each other. We are grateful to the reviewer for the suggesting this comment as it enhances and strengthens our paper. To complement the analytical component such graphs can be constructed from a numerical simulation. Three graphs from a numerical simulation for a given set of exogenous variables are being incorporated in the paper. The first is a three dimensional graph showing the interaction between the regional investments in pollution reduction, the tax rate and the unilateral equilibrium share of firm. The second is a three dimensional graph showing the interaction between regional investments in pollution reduction, the tax rate and bilateral coordinated equilibrium share of firms. The third is a two dimensional graph showing the relationship between the regional investments, unilateral equilibrium share of firms and coordinated and coordinated equilibrium share of firms.