I would like to thank an anonymous referee for helpful comments on an earlier version of this paper.

Detailed responses to Reviewer.

I appreciate the interest that the Editor and the reviewer have taken in the manuscript. I have done minor adjustments in the manuscript.

1) As recommended by the reviewer, I have moved the literature review from a footnote to the main body of the Introduction. Revised prose are underlined.

While there exists a substantial literature on small open economies with production pollution (see Neary (2006) and the literature cited therein), there also exist small open economy models with consumption pollution—e.g., Copeland (2011), Chao et al. (2012), Michael and Hatzipanayotou (2013), Michael et al. (2015), Metcalfe and Beghin (2015), Tsakiris et al. (2019). Krutilla (1991) incorporates consumption pollution into the large country model but abstracts from emissions leakage. None of these authors, though, identify mutually beneficial unilateral policies in large nations with global consumption externalities. The proposed rule helps these nations exit from excessive regulation and is good for the climate.

2) I have removed “to” before the word “exit” in conclusions to follow grammatical consistency. This rule is a win-win, helping importing countries exit from a “disguised barrier to trade” (i.e., excessive regulation on Home dirty-good consumption).

3) I have also removed the “underlined” and page number in the manuscript.

Best regards,

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