

- **Trade Liberalization and the Environment: Evidence from NAFTA and U.S. Manufacturing**

Abstract: This paper analyzes the relationship between trade and the environment at the plant level. Using a unique longitudinal dataset on pollution emissions and other plant characteristics, I examine how trade liberalization following the North American Free Trade Agreement (NAFTA) affected the pollution emitted by manufacturing plants in the United States. My empirical approach exploits variation in protection across time, industries and geographic locations to isolate the causal effect of trade liberalization. I find that NAFTA had significant, but varied, effects on plant pollution emissions. These changes are primarily due to shifts towards cleaner production methods, as opposed to changes in the scale or composition of plant output. Moreover, these shifts are not due to contemporaneous changes in environmental policy. These results suggest a new channel through which trade affects the environment: within-plant changes in the techniques of production.