

Abstract

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the Linkages between Trade and Environment**

NAFTA and Industrial Pollution: Some General Equilibrium Results

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In recent years, a surge of interest in the linkages between trade and the environment has occurred in the contexts of both regional and multilateral trade agreements. In this paper, we utilize a three-country, applied equilibrium (AGE) model of the North American economy and data from the World Bank's Industrial Pollution Projection System (IPPS) to simulate the industrial pollution impacts of trade liberalization under NAFTA. We find that the most serious environmental consequences of NAFTA occur in the base metals sector. In terms of magnitude, the greatest impacts are in the United States and Canada. The Mexican petroleum sector is also a significant source of industrial pollution, particularly in the case of air pollution. For specific pollutants in specific countries, the transportation equipment sector is also an important source of industrial pollution. This is the case for both volatile organic compounds and toxins released into the air in Canada and the United States. Finally, the chemical sector is a significant source of industrial toxin pollution in the United States and Mexico, but not in Canada.