

# Does Participation in International Markets Affect Environmental Behavior? Evidence from Brazilian Manufacturers\*

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## Abstract

Although the anti-globalization movement claims that freer trade and foreign direct investment is harmful for the environment, the evidence is at best weak. Most economic studies that look at this relationship find a small positive effect of freer trade on environmental outcomes. Nonetheless, they generally use cross-country data or sectoral data and measures of openness that do not reflect policies. We propose to study the environmental behavior of manufacturing firms in Brazil and look at the relation between their participation in international markets through exports and foreign ownership and their choice of cleaner production techniques. Using data from a 1996 large manufacturing survey merged with municipality data on environmental regulation and voting behavior, we show that exporters and multinationals adopt cleaner production techniques. Nonetheless, once we control for firm characteristics, sectors and local regulation, we find a small effect of exporting and a larger effect for multinationals. We then discuss possible interpretations of the findings and propose an empirical strategy that may be implemented in a panel-data of firms to try to distinguish the causality of this relationship.

Key words: Globalization, environmental behavior, manufacturing, Brazil

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