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NAFTA: MORE THAN A REGIONAL TRADE AGREEMENT

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ABSTRACT

Trade is one of the fundamental reasons underlying the relationships between societies. Commercial interactions have contributed to the establishment of a specific international system worldwide through the trade relations between empires and states. In the 20th century, interstate trade led to the formation of certain agreements, some of which gave rise to regional-scale trade alliances. The North American Free Trade Agreement (NAFTA) is one of the regional trade agreements documented among North American countries, holding significant importance not only in increasing trade volume among signatory nations but also in terms of fostering regional cooperation and closer political relations. Despite being criticized by many since its signing date, NAFTA underwent substantial changes in 2020 and was restructured under the name The United States-Mexico-Canada Agreement (USMCA). Despite controversies and criticisms, NAFTA played a significant role in strengthening regional economic, social, and political ties, becoming one of the prominent examples of the rising regional trade agreements worldwide after the 1990s. In this study, the motivation behind NAFTA's inception, its historical development, member countries, and the positive impacts on the region are discussed. The contributions of NAFTA to the North American economy and regional development are examined through the analysis of gathered data, reports, and academic studies. The study aims to discuss the findings on the impact of NAFTA not only as a trade agreement but also on regional social and political developments.

KEYWORDS: **NAFTA, USA, Mexico, Canada, Trade**

1. Introduction

During the election campaign period, former US President Donald Trump claimed that some of the agreements the US was involved in were against its interests with the rhetoric of "making the US great again", which influenced his election victory. In this context, he announced that the summit with the leaders of Canada and Mexico in January 2017 would also discuss the revision of NAFTA, which stands for "North American Free Trade Agreement" in Turkish, with the sentence "Anybody ever hears of NAFTA?".[1] President Trump eventually achieved his goal by transforming NAFTA into the UMSCA (The United States-Mexico-Canada Agreement) in 2020. Trade has undoubtedly had a great impact on the development of international relations, and as the states that started free trade with each other saw the benefits for themselves, they started to make some agreements to carry these relations to a regional dimension. One of these agreements, NAFTA, aimed to create a more efficient market by removing some quotas and taxes that limit trade relations between North American countries (USA-Canada-Mexico). The economic integration of countries, from the simplest to the most complex, involves the elimination of barriers to trade relations between economic actors, the liberalization of these relations, the regulation of the internal economic regulations of the states according to the integration in question and the strengthening of trade relations[2]. NAFTA has offered significant economic advantages with the reduction and elimination of trade barriers between member countries. Thanks to this agreement, customs duties, trade quotas, and other trade barriers were reduced or eliminated, thus increasing the volume of trade. During the 26 years, it has been in force, it has had a significant impact on the Mexican and Canadian economies by helping them achieve growth and employment increases, while at the same time, competition and privatization processes have accelerated among member countries, and more effective and efficient production processes have been created through trade liberalization. On the other hand, the fact that it has become the focus of various debates in the US since its signing makes it important to conduct such a study.

The purpose of this study is to analyze the overall impact of NAFTA on the economies of the member countries as well as on the North American region. The study examines the history and objectives of NAFTA through a literature review and analyzes the economic indicators such as trade, growth, and employment of the member countries in the years following the signing of the

[1] https://edition.cnn.com/2017/01/22/politics/trump-renegotiate-nafta/index.html

[2] Emin ERTÜRK, Economic Integration Theory, Ezgi Kitabevi Yayınları, Bursa, 1991, (p.5).

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agreement. In addition, the positive and negative aspects of the agreement are discussed and its effects on the economic balances of the member countries are obtained by synthesizing various economic data and expert opinions. NAFTA is an important example of economic cooperation between the United States, Canada, and Mexico. Trade liberalization, the objective of the agreement, has stimulated economic growth and increased regional integration. However, the agreement has faced some criticisms, such as environmental and social impacts. The study aims to provide a more comprehensive understanding of the overall effects of free trade agreements by providing a balanced account of NAFTA's achievements and challenges.

2. Historical Development of NAFTA

On November 13, 1979, when Republican presidential candidate Ronald Reagan announced his candidacy for the presidency of the United States, he called for a trade union between Canada, Mexico and the United States, laying the foundations for the North American Free Trade Agreement (NAFTA), which Clinton, a Democrat, signed in 1994.[3] In the 1980s, when global trade liberalization efforts intensified, there were several attempts to create a free trade zone among North American countries, as well as around the world, and agreements were eventually concluded. The Canada-United States Free Trade Area Agreement (CUSFTA), signed between the United States and Canada on January 2, 1988, during Ronald Reagan's second presidential term, can be considered one of these initiatives and the first agreement to lay the groundwork in this direction before NAFTA.[4] In addition, Mexico and the United States signed three agreements on taxes, trade and investment between 1985-89, and in 1990, Canada and Mexico signed 10 separate agreements on agro-industry. Before NAFTA, all three countries in the region were running serious balance of payments deficits, as well as external debts, and therefore needed a strategy of export-oriented development.[5] While Mexico and Canada were mostly motivated to join such an agreement for economic reasons, the United States was also influenced by the idea that a regional trade agreement could also help stabilize the region concerning the social and political factors affecting that country.

Before the agreement was submitted to Congress, Henry Kissinger, writing in the Los Angeles Times in the summer of 1993, referred to NAFTA as "the most creative step toward a new world order by any group of countries since the end of the Cold War"[6]. Kissinger stated that if this planned agreement between North American countries failed, tariffs between Mexico and the US would rise, which would fuel nationalism and damage Northern Hemisphere relations. Considering its 20th-century interventions in Latin American countries such as Panama, Cuba, Haiti, Guatemala, and Haiti, it is safe to say that for the United States, NAFTA was not only an economic agreement but also part of the restructuring of the economy and international relations, first regionally and then globally, following the lifting of the Iron Curtain. NAFTA was also politically important for the United States, which wanted to make Mexico more stable and powerful and to serve as a model for the long politically unstable Latin American countries. The prospect of solving some important domestic problems also played a role in the US joining NAFTA. While economic interests were the main motivation for the NAFTA negotiations, there were also specific strategic and political reasons that led the United States to seek regional integration with Canada and Mexico. The problem of irregular migrants, the drug trade and its prevalence among young people, pollution from energy production, and falling wages and employment in the United States are the main US challenges. These problems, which are closely linked to US security interests, have led policymakers and negotiators to link the ratification of the agreement to US long-term interests.[7]

Before the 1990s, Mexico was not only closed to foreign trade but also to competition. In the post-1910 Mexican revolutionary period, roughly from the 1920s onwards, it was a coalition of organized labor, public employees, factory owners, and politicians.[8] The PRI (Institutional Revolutionary Party) government and subsequent similar governments protected the country against foreign trade with extremely high tariff and non-tariff barriers and protected producers from competition with a wide variety of cartel-like arrangements. In a sense, this was import-substitution industrialization, which sought to reduce the country's dependence on imports, and Mexico implemented this strategy after the 1930s.[9] But while the system looked effective on paper, its deficits were exploited by those who wanted to gain privileges. For example, if you wanted to import machinery into Mexico, you had to get an import permit, and of course that permit required some relationships with certain people in the government. Ostensibly there were many commercial banks in Mexico, but only four commercial banks controlled about 80 percent of the capital.[10] The same commercial banks owned "non-bank" finance companies, so-called financiers, which often lent to the industrial conglomerates that owned the banks. The largest of these, The Legorreta Group, one of Mexico's most powerful corporations and manufacturers, also had the largest bank and financier in this sense. All this monopoly meant that it was almost impossible for other entrepreneurs to access capital. Mexico had a state-run banking system. Commercial banks lent only about 5 percent of GDP and state banks lent almost exclusively to conglomerates linked to the above-mentioned banks. In the 1960s, the state-backed industrial finance bank lent to only forty-seven companies. Four of these companies accounted for 30 percent of all loans. This resulted in a highly cartelized economy monopolized by a handful of companies, which hampered foreign trade and naturally restricted all commercial competition. In addition, Mexico had national industry-wide labor contracts in which producers paid the same wages throughout the country. In short, everything about Mexico's economic system in the pre-NAFTA years was set up to discourage competition.[11]

[3] Reagan's Foundation Official Youtube Channel, https://www.youtube.com/watch?v=fAtYMD-H2UY
[4] DOLU, GÖKSEL, 2017, Journal of Süleyman Demirel University Faculty of Economics and Administrative Sciences, , C.22, S.3, (pp.915-926).
[5] Arı, M.Türker. (2005), "10. Yılında North American Free Trade Agreement (NAFTA)", T.C. Ministry of Foreign Affairs Journal of Economic Problems, Issue 14/7, (p.1).
[6] Henry Kissinger, The Los Angeles Times 1993, July 18 - With NAFTA, U.S. Finally Creates A New World Order (pp.105-109) https://en.calameo.com/read/0001117908ece0e23ea97
[7] Ozan Can Altun, "NAFTA and the Impact of the United States, Mexico, Canada Agreement on Free Trade in North America", Kocaeli University, 2020, (p.13).
[8] Michael J. Boskin, NAFTA at 20, Hoover Institution Press Publication, California, 2014. S.30
[9] Imtiaz Hussain, Reevaluating NAFTA, Palgrave Macmillan Press, 2012, (p.15).
[10] Boskin, op.cit. (p.31).
[11] Boskin, op.cit., (p.31).

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When the historical development of the Mexican economy is analyzed, the period characterized in the economic literature as the "Mexican Miracle" occupies an important place. According to Kozanoğlu: (1995: 55-64)

> *"The first "Mexican miracle" in modern Mexican economic history is 1955-70. This period was characterized by fixed nominal exchange rates, low budget deficits, import licenses, high customs protections, positive interest rates, and very low capital gains taxes. This period, in which the ratio of investment to GNP increased from 14.3% in 1955 to 22.7% in 1970, can be considered a successful import substitution growth practice with an average growth rate of 6.7% and inflation rate of 3.8%. On the other hand, the period was characterized by increasing income inequality and a steady decline in investments in education and agriculture. The end of the period was brought about by the limits of low wages and high exploitation in industry, the migration of crowds to big cities as a result of the decline in unsupported agricultural production, and the continuous swelling of the external deficits of the closed economy."*

Until the 1990s, the rulers representing the left wing of the Institutional Revolutionary Party pursued a working class and labor-oriented economic policy by enacting social contract-style agreements, ensuring growth through social public investments, and striving to improve income distribution. However, since the government did not have the resources to allocate to this economic plan and the power to increase taxes to provide resources, it was inevitable that macroeconomic balances would deteriorate, and when these problems were added to the opposition of the bourgeoisie, which was uneasy with the strengthening trade unions and rising land struggles, the period of "shared development" came to an end and the stabilization program proposed by the IMF was implemented instead.[12]

In 1982, Miguel de la Madrid came to power and began to reverse the country's protectionist economic policy, and in 1985 he took the important initiative of applying for accession to the GATT (General Agreement on Tariffs and Trade). Mexico, which until then had one of the most closed economies in the world, quickly became one of the most liberal economies in the world when it joined the GATT in 1986. As mentioned earlier, unlike the United States, for Mexico the reason for joining NAFTA was purely economic, and Salinas, who succeeded La Madrid as president, aimed to overcome the opposition of the nationalists in the North. Salinas' main reason for supporting a free trade agreement with the US just a year before his return from a trip to Europe was the lack of international investment in his country. In other words, strengthening the manufacturing sector and attracting foreign investment were the main reasons why Mexico wanted to be part of NAFTA. The devastating economic conditions that began with the debt crisis in the 1980s made it clear that sustainable development and the promotion of domestic reforms were effective tools for trade liberalization. Therefore, NAFTA not only provided secure access to the US market and a reversal of capital flight but also meant that new investment could be encouraged.[13]

During his visit to Mexico in 1990, Canadian Prime Minister Brian Mulroney learned that that country was planning to sign a trade agreement with the United States that was more comprehensive than the CUSFTA agreement between the United States and Canada, but he did not take any concrete steps. This was due to the economic depression that CUSFTA caused in Canada after a while and the public perception that the free trade agreement with the United States was one of the reasons for this. For the president, such an agreement with Mexico did not resonate with the public. But despite all this, Canadian bureaucrats found the idea of not being involved in the negotiations uncomfortable. If Canada did not participate in these negotiations, the United States could become a hub for the North American economy, making it more logical for foreign capital to settle in the United States than in Canada.[14] An analysis of the economic and political agenda of the period suggests that part of Canada's perspective and motivation for the agreement was to balance the United States in the region.

Towards the end of the 1980s, probably, the plans of the US in particular to establish a regional organization in North America were influenced by the European Economic Community, which after the summit in Maastricht in 1991 would evolve from a commercial organization to a regional union, taking the name of the European Union two years later with the Maastricht Treaty. With monetary union and customs facilitation, European states had managed to bring their trade relations with each other in line with the pace and requirements of the modern era. Of course, when the European Union was finalized in 1993, it had a different structure in terms of content and area of responsibility than NAFTA, which was signed at almost the same time. While NAFTA was limited to trade and economic issues (including provisions on labor rights and environmental sensitivity), the European Union deals with trade, agriculture, regional development, social policy, foreign policy, etc. Although the two organizations differ in content, we cannot separate the historical development of NAFTA from the evolution of the European Economic Community into the EU.

3. Signature and Ratification of the Agreement

As a result of Mexico's increasing trade relations with the United States after joining the GATT, the United States' desire to ensure stability in the region both economically and socially, and Canada's desire to balance the United States commercially in the region, the North American Free Trade Agreement was signed by the leaders of the United States, Mexico, and Canada on December 17, 1992, following the negotiations that began in Toronto in 1991, consisting of 2,000 pages and 22 chapters, and entered into force in 1994 after being ratified by the parliaments of all three countries. Although G.W. Bush was the President of the United States when the draft of the agreement was signed in 1992, 1993, when the agreement was brought to the House of Representatives, also coincided with the presidential election

[12] Hayri Kozanoğlu, "Crisis in Mexico", Birikim Magazine, S.75, 1995, (pp.55-64)
[13] Altun, op.cit., (p.22).
[14] Altun, op.cit., (p.14).

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period, and the Democratic candidate, Governor Bill Clinton, announced that he would support the agreement if the articles on the working conditions of workers were amended and some additional articles were added, and finally, on January 1, 1994, it was adopted by the House of Representatives and entered into force. When it entered into force in 1994, the volume of trade between NAFTA member countries increased from 290 billion dollars to 1.1 trillion dollars in 2017.[15]

Following the signing of the agreement and Mexico's formal accession to NAFTA, the Zapatistas' protests and anarchy in Chiapas, one of the poorest cities in the country, raised questions about foreign investors investing in Mexico for a while, but there were no investment-related problems in the medium term. Although the peso crisis is associated with NAFTA, in Mexico, where social inequality is a reality, the actions of the Zapatistas against foreign capital and intervention[16] and finally the assassination of the ruling party's presidential candidate Luis Donaldo Colosio on March 23, 1994[17] caused a lot of concern about the country's economic stability and this triggered the crisis.

4. Provisions of the NAFTA

NAFTA, which entered into force and created one of the world's most highly traded common markets, had many regulatory provisions ranging from automotive to agriculture, textiles to energy. The agreement also protected the intellectual property rights of producers in member countries. When the agreement entered into force, the previous free trade agreement between the US and Canada was already in force. However, trade arrangements between Mexico and the US were characterized by low US tariffs on most Mexican goods, while Mexico had high protective trade barriers against the US. NAFTA provided greater access to the Mexican market, the fastest growing major export market for the US and Canada at the time, through the agreement's provision removing trade barriers on an annual basis. NAFTA also opened the US market to increased imports from Mexico and Canada, creating one of the largest single markets in the world.

4.1 Abolition of Customs Duties

With the entry into force of the agreement, tariffs between NAFTA member countries were gradually eliminated, with the biggest impact on tariffs between Mexico and the United States. Mexico, one of the world's most closed economies, had imposed tariffs of at least 30% on its neighbor to the north until NAFTA was signed.[18] The relevant provisions of the agreement gradually eliminated all tariffs and most non-tariff barriers on goods produced and traded in North America over the 15 years following its entry into force.[19]

4.2 Provisions Related to Workers

Perhaps one of the most important indicators that NAFTA is more than a trade agreement is that it seeks to ensure that workers in member countries have civilized world-level labor rights and conditions. The original version of the agreement included various environmental provisions, but virtually no provisions on labor rights. After reviewing the legislative record, the Bush administration concluded that Mexican labor standards were comparable to those in the United States. On paper, this was true; Article 123 of the Mexican Constitution, the cornerstone of Mexican labor legislation, gives Mexican workers the right to form unions and strike, and guarantees a wide range of basic labor standards, from minimum wages to worker housing. The Bush administration also argued that NAFTA would stimulate economic growth and thus facilitate financing for adequate enforcement of existing labor laws. The preamble to the main agreement includes two general objectives concerning workers;[20]

- Create new employment opportunities and improve working conditions and living standards,
- Protect, promote, and enforce fundamental labor rights.

In particular, it was aimed to prevent the exploitation of Mexican citizens as cheap labor by other countries and thus to create a common consciousness and equality among this class in the region by allowing the working class in the North American region to have the same rights.

4.3 Agriculture-Related Provisions

The NAFTA agreement on agricultural trade consists of three bilateral agreements between the United States and Mexico, the United States and Canada, and Canada and Mexico. The US-Canada agreement largely carried over to NAFTA the tariff and non-tariff barrier rules adopted in the Canada-US Free Trade Agreement (CUSFTA). Under CUSFTA, most agricultural tariffs between the United States and Canada were to be phased out by January 1998, and NAFTA adopted this schedule. However, Canada was allowed to maintain permanent tariff rate quotas (TRQs) on dairy, poultry, and egg imports from the United States, and the United States was allowed to maintain TRQs on sugar, dairy, and peanut imports from Canada. Almost identical restrictions limited agricultural trade between Mexico and Canada. Predictably, some agricultural trade associations supported NAFTA while others opposed it.[21]

Among the bilateral agreements mentioned above, the one between the US and Mexico envisages the elimination of all tariffs on agricultural products between the two countries within 10 years. However, items such as dried beans, milk, corn for Mexico, and orange juice and sugar for the US are not subject to this tax reduction. Canada and Mexico have committed to zero tariffs on agricultural products other than poultry, eggs, and sugar.

4.4 Provisions Related to the Automotive Sector

The 1965 Canada-United States Automotive Agreement (also known as the 1965 Auto Pact), the first post-World War II trade agreement between the two countries, provided for free trade between manufacturers but did little to benefit consumers in both countries.[22] The 1965 Auto Pact's consumer-inclusive improvements and addressing remaining automotive trade and investment gaps were at the heart of the 1989 Canada-U.S. Free Trade Agreement (CUSFTA). Moreover, the automotive sector was the centerpiece of NAFTA, and no industrial sector was more important to the

[15] Mary E. Burfisher, Frederic Lambert, Troy Matheson, NAFTA to USMCA: What is Gained?, IMF Working Paper, 2019.
[16] Burçin Hacıhasanoğlu, The Importance of Mexico 1994 and Argentina 2001-2002 Crises for Developing Countries and Turkey, Central Bank of the Republic of Turkey General Directorate of Markets, Ankara, 2005, (p.108).
[17] https://www.washingtonpost.com/wp-srv/inatl/longterm/mexico/stories/940324.htm
[18] https://corporatefinanceinstitute.com/resources/economics/north-american-free-trade-agreement-nafta/
[19] M. Angeles Villarreal, Ian F. Fergusson, Congressional Research Service Report, May 24, 2017, (p.5).
[20] Gary Clyde Hufbauer and Jeffrey J. Schott, NAFTA Revisited, Institute For International Economics Press, Washington D.C., 2005, (p.114).
[21] Hufbauer, Schott, op.cit., (p.284).
[22] John F. Helliwell, How much do national borders matter, Brookings Institution Press, Washington D.C.,1998

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https://ijbssrnet.com/index.php/ijbssr

achievement of the agreement's objectives than the automotive sector.

Motor vehicles and parts account for a larger share of intra-regional trade in North America than any other product sector. In 2003, three-way auto trade was $125 billion, representing 20 percent of total trade between NAFTA partners.[23] Between 1993 and 2003, the value of NAFTA auto trade nearly doubled, accounting for 18 percent of the total growth in NAFTA trade during this period. Trade in vehicles and parts with non-NAFTA countries also increased sharply, with North American auto sector imports growing almost twice as fast as auto exports to the rest of the world. In 2003, the auto sector accounted for 12 percent of merchandise trade between non-NAFTA and NAFTA countries.[24]

Mexico, for its part, wanted to continue liberalizing its automotive sector because it felt that only in this way could it protect its auto parts industry. Automotive parts companies in the US and Canada were similarly looking for ways to ensure that these parts were sourced from North American firms rather than Japanese, European, and Korean manufacturers. Ultimately, U.S. and Canadian automotive industry workers opposed NAFTA outright, fearing that low wages and inadequate labor standards in Mexico could cause automotive and parts companies to move to Mexico, resulting in the loss of manufacturing jobs and ultimately lower wages in the United States and Canada.

5. Effects of Nafta on Member States

With the strengthening of cooperation and dialogue, the agreement encouraged member states to cooperate on economic and trade issues through regular meetings and negotiations. This has led to a deepening of relations between the member states and the protection of common interests.

With the signing of the agreement, the volume of trade between the member countries, which already had some level of trade relations with each other, increased from USD 306 billion to approximately USD 621 billion in the first 10 years, and the total direct investments of the US, Canada and Mexico increased from USD 136.9 billion in 1993 to USD 299.2 billion in 2000.[25], the US had a good level of trade relations with its neighbors to the north and south before NAFTA, and this might not have affected the US economy much if the agreement had not been signed. Therefore, the impact of the agreement on the US was less compared to other member states. In addition, increased immigration from Mexico can also be seen as an unexpected consequence of NAFTA for the US. In the 2000s, the flow of trade in an even more economically globalized world began to expose the US to criticism from citizens against some of the restrictions imposed by NAFTA, and from then on, both Republican and Democratic presidential candidates either talked about the repeal of NAFTA in their election campaigns or heralded a revised and more profitable agreement for the US. Leaving aside the economic side, NAFTA has to some extent changed the dietary habits of first North America and then the world, especially Europe. Fresh fruits and vegetables produced in Mexico, such as avocados, mangoes, and colorful peppers, have increased significantly after NAFTA, especially in the 2000s.[26]

6. Achievements of NAFTA

Between 1993 and 2019, trade between the three member countries of the agreement quadrupled from $290 billion to $1.23 trillion, on average[27]. This has meant increased economic growth, profits, and, most importantly, employment for all three countries. The agreement also led to lower prices for consumers. During this time, the US increased its exports of goods to the other two countries from $142 billion to $549 billion.[28] This represents 33% of total US exports, making Canada and Mexico the two largest export markets for the US.[29] US imports with the other members of NAFTA total around $678 billion, 27% of total US imports. This is more than four times the $150.9 billion worth of goods imported from these two countries in 1993.[30] As mentioned earlier, NAFTA has increased trade by eliminating all tariffs between the three countries. It also created agreements on international rights for business investors. This has lowered the cost of trade and encouraged investment and growth, especially for small businesses.

The lower tariffs introduced by NAFTA also led to lower import prices. This naturally reduced the risk of inflation and allowed governments to keep interest rates on central bank reserves low. This is particularly important for oil prices, as oil is America's largest import. NAFTA has significantly reduced US dependence on oil imports from the Middle East and Venezuela.[31] This was particularly important after the US embargo on oil imports from Iran because Mexico and Canada do not give the United States much trouble in this regard, unlike countries like Venezuela and Iran, which use oil as a political move against the United States.

Another benefit is undoubtedly the jobs and business opportunities created by the agreement. The imports and exports between NAFTA member countries have somehow created jobs in these countries, especially in Mexico. Some of the products were designed in the US and Canada and then outsourced part of the process - mostly production, assembly, etc. to facilities in Mexico close to the US border called "maquiladora", a kind of assembly factory where cheap Mexican workers are employed. Although this course of action was criticized by some as cheap exploitation of Mexican citizens, the problem of "exploitation" was partially reduced when some of the raw materials to be used in production were supplied from Mexico and the sections of the agreement on labor standards were gradually implemented in these factories. Indeed, without NAFTA, US firms would still have preferred Mexico for cheap labor and thus cheap production, but the lion's share of this cheap market and raw material source would have gone to China.

Since the entry into force of NAFTA, US foreign direct investment (FDI) in Canada and Mexico has more than tripled to $500.9 billion. In 2019, US investors invested $402.3 billion in Canada and $100.9 billion in Mexico.[32],[33] This gave US

[23] Hufbauer, Schott, op.cit., (p.365).
[24] Hufbauer, Schott, op.cit., (p.365).
[25] Bee, 2005, (p.6).
[26] https://www.vox.com/2015/2/16/8047991/nafta-avocados-fruit-vegetables
[27] https://sgp.fas.org/crs/row/R44981.pdf (Congressional Research Service Reports on Foreign Policy and Regional Affairs, The United States-Mexico-Canada Agreement (USMCA) updated December 28, 2021).
[28] https://www.census.gov/foreign-trade/balance/c1220.html
[29] https://www.bts.gov/content/value-us-land-exports-and-imports-canada-and-mexico-mode
[30] https://sgp.fas.org/crs/row/R44981.pdf (p.6).
[31] U.S.-Mexico-Canada Trade Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors, U.S. International Trade Commission April 2019, Report No. 4889 (p.106 "*Canada's share of U.S. crude oil imports has risen significantly in the past five years, replacing declining exports from Venezuela and Mexico*")
[32] https://ustr.gov/countries-regions/americas/mexico
[33] https://ustr.gov/countries-regions/americas/canada

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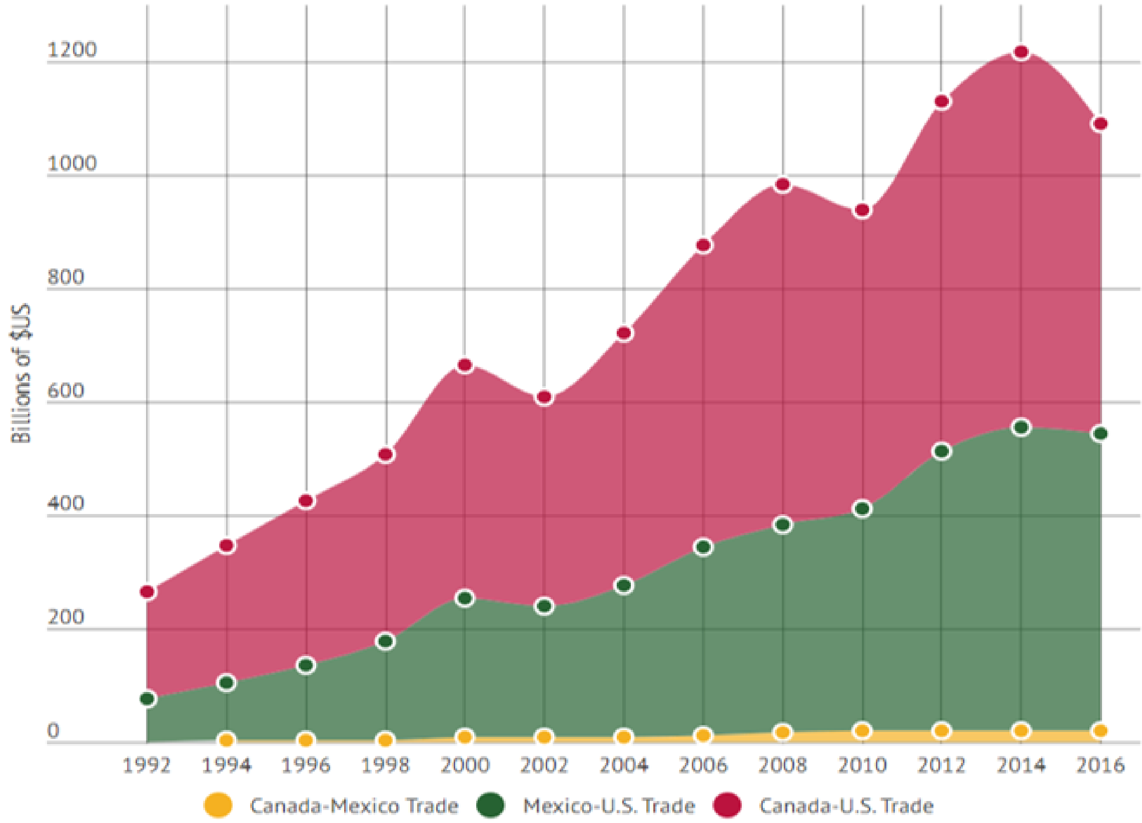
businesses more opportunities to thrive and markets to explore, boosting their profits. NAFTA's provisions protecting intellectual property also helped boost FDI. By deterring piracy and similar crimes, the agreement has helped innovative businesses in particular, boost investment because companies know that both their partners and international law will protect their copyrights. NAFTA has also reduced investors' risk by guaranteeing that they will have the same legal rights as local investors. Through NAFTA, investors can bring legal claims against the government if it nationalizes their industry or takes their property under eminent domain. In a nutshell, the agreement has provided a great deal of security to the investors of the member countries and has created a reasonable ground for these same investors to boldly invest their capital.

Positive economic developments often lead to social gains. Many trade unions and independent activists in NAFTA member countries have argued that NAFTA has stimulated relations between trade unions in the US, Canada, and Mexico, leading to regional unity and standardization of workers' rights and conditions.[34] The economic and political links between North American workers have also contributed to some degree to changing immigration policy.

Chart I Exports of member countries between 1992-2016[35]



7. Criticisms of NAFTA and Revision of the Agreement

Although NAFTA has significantly increased the volume of trade between the signatory countries compared to their counterparts since its entry into force, economic mobility due to rapidly developing technology and the changing social environment has brought about the need to revise the agreement. In addition, NAFTA has also had negative impacts on member states. For example, manufacturing workers in the US have publicly blamed NAFTA sometimes with protests and marches for favoring Mexico, where labor wages are lower, for the production of some manufacturers.[36] In the automotive sector in particular, cheap labor in Mexico meant that cars could be produced at a lower cost than a car produced in the US and sold to buyers in the US and Canada with zero tariffs.

NAFTA has also been highly criticized in terms of protecting the rights of workers in the member states; the workers' rights protection agency established within NAFTA has not been very effective in protecting workers' rights; for example, the governments and companies concerned have not been held accountable for violations of workers' rights; about twenty complaints have been filed to this agency about violations, but none of them have been concluded.[37]

Mexico has been the country most negatively affected by the agreement. The negative aspects of the Agreement for Mexico include unemployment, low wages, environmental pollution, and food security problems.[38] Although foreign investment and GNP have increased, the rulers, who did not take into account the incompletely democratized institutions of the state, have not managed this growth well and failed to prevent the impoverishment of the

[34] Tamara Kay, "New challenges, new alliances: union politicization in a post-NAFTA era", 2015, Labor History, 56:3, (pp.246-269).
[35] https://www.as-coa.org/articles/weekly-chart-nafta-numbers
[36] https://edition.cnn.com/2019/12/10/politics/nafta-us-mexico-canada-trade-deal-differences/index
[37] Arı, a.g.m., (p.10).
[38] Stephen W. Hartman, "NAFTA, the Controversy", The International Trade Journal, 2010, 25:1, (pp.5-34).

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working class of the population. The small-scale agricultural sector has been crippled, and peasants have left their jobs to work for large companies exporting fruits and vegetables to the US under worse conditions.[39] Mexico's agricultural poverty increased from 79% in 1994 to 82% four years later, at the very beginning of the agreement, when the Mexican government allowed the import of much more corn from the US than the country needed, when it should have gradually relaxed the import of corn from the US under NAFTA.[40] With the entry into force of NAFTA, many small businesses in Mexico have gone bankrupt and unemployment has increased. In addition, wages in Mexico have fallen and workers' union rights have been restricted. NAFTA's impact on the environment is also controversial. In Mexico, with the entry into force of NAFTA, environmental pollution has increased and there have been food safety problems.[41],[42]

8. CONCLUSION

Although the NAFTA Agreement has gone through turbulent periods such as the global economic crises and Mexico's Peso Crisis[43] during its time in force, it has managed to emerge from them without major damage. The economic integration of Mexico, which has a weaker economy compared to the US and Canada, with these two countries is one of the important achievements of NAFTA.

NAFTA has also had impacts in areas other than trade, including labor, environmental protection regulations, and intellectual property standards. The North American Agreement on Labor Cooperation (NAALC) and the North American Agreement on Environmental Cooperation (NAAEC), were designed as an annex or side agreement to NAFTA to address concerns among US labor unions that NAFTA would allow some low-budget companies to alter their operations to exploit lax regulations (especially in Mexico) and low wages, have pushed Mexico to adhere to the agreement, leading to stricter policies on the treatment of workers and environmental protection.

In the years since NAFTA was signed, the agreement has become a powerful symbol of regional economic integration and trade. First, NAFTA has promoted economic growth by increasing trade relations and investment opportunities between Canada, Mexico, and the United States. The removal of barriers to cross-border trade between the three countries, increased competition, and easier access to markets have contributed to increased trade volumes and improved welfare for all countries.

The non-trade gains made in the study make it clear that NAFTA is more than just a regional trade agreement. In addition to economic growth, NAFTA has played an important role in regional political stability. Thanks to the agreement, cooperation, and dialogue between member countries have increased, and conflicts and tensions have been greatly reduced. Sharing common economic interests has helped to maintain friendly relations between countries, thus avoiding potential political conflicts.

NAFTA's emphasis on the principles of environmental protection and sustainability, as well as the promotion of labor rights and improved working conditions, has enhanced the environmental and social impact of the agreement on member states. In this context, member states have taken steps to improve social welfare through the development of a common understanding of environmental standards and social rights.

In conclusion, NAFTA is more than just a regional agreement. It has reinforced cooperation and solidarity among member states, covering a range of areas such as economic integration, political stability, and social welfare. However, it should not be forgotten that the agreement has been subject to criticism, and the process of responding to these criticisms and designing similar potential regional trade agreements more inclusively should be considered.

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