

Debate

Is NAFTA Good for Mexico and the United States?

ISSUE: Has NAFTA been socially and economically productive for the United States and Mexico?

Coming into force on January 1, 1994 under President Bill Clinton, the North American Free Trade Act (NAFTA) is a trade union between Canada, Mexico, and the United States. NAFTA was originally conceived as a way to lower trade barriers, facilitate trade, and increase prosperity between the nations. With these attributes, this act was viewed as an agreement comprising one of the largest trading blocks in the world. The primary goal of NAFTA was to facilitate free trade across North America. Within a decade of implementation, tariffs on goods traded between Canada, Mexico, and the United States were virtually eliminated. NAFTA also attempts to eliminate non-tariff trade barriers.

The early 1990s was a favorable time for trade unions, seeing some of the most powerful nations in the world joining forces: The European Union (EU) and South America's Mercado Común del Sur (MERCOSUR) were formed in 1992 and 1991, respectively. The framework for what would later become NAFTA was laid in 1988, when discussions began concerning a trade union between the United States and Canada. This measure was deeply unpopular with many constituents in Canada and Mexico, who feared that NAFTA would hurt many groups, including small farmers, and would lead to environmental degradation. Before President Clinton sent the bill to the House of Representatives, he added clauses protecting American workers as well as environmental regulations. Still, many opponents of NAFTA in all participating countries maintain that the agreement does not do enough to protect workers, and that environmental regulations are difficult to enforce internationally.

The effects of NAFTA have been well-studied and documented by scholars, economists, governmental, and nongovernmental groups. Some have argued that NAFTA has helped the poorest nation in the pact, Mexico, which has experienced lowered poverty rates and increased real incomes. Many U.S. corporations have taken advantage of the lack of tariffs and low labor costs to establish *maquiladoras*, or factories, in Mexico, which has led to more jobs. Other experts argue that most of the benefits of NAFTA have accrued to the wealthy elites and business owners in all three countries, while poor Mexican farmers and U.S. factory workers have found themselves less able to compete. Critics also say that NAFTA places Mexico, particularly its farmers, at a disadvantage because the United States subsidizes many of the commodities it produces. Critics consequently blame NAFTA for rising levels of inequality in Mexico and the United States. However, advocates remain adamant that it has lowered trade barriers, increased jobs, and improved the quality of life for millions of people across North America.

Recent events have added fuel to the fire in the NAFTA debate. The financial crisis led many U.S. legislators to call for the U.S. to withdraw from NAFTA, citing the fact that the agreement has cost U.S. jobs and encourages manufacturers to move to Mexico. Unions and consumer-advocacy groups have continually reiterated the negative effects that NAFTA has imposed upon Mexico and the United States. These groups have said that outsourcing and lower wages have hurt the U.S. economy and Mexico's rural industries have overall destabilized. President Obama criticized NAFTA in the 2008 presidential election and threatened withdrawal if Canada and Mexico did not agree to an overhaul of NAFTA's labor and environmental provisions. After years of resistance from the United States, in

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2011 the country finally came to a resolution with Mexico to allow approved Mexican trucking companies to carry Mexican goods throughout the United States. Many were hesitant due to potential safety risks. While NAFTA has encouraged a significant amount of investment from the United States in Mexico, many Mexican stakeholders are discouraged that the arrangement has fallen short of increasing the income of Mexico's middle class. Because labor in other countries has proved to be less expensive, some towns in Mexico are still experiencing poor quality of life. Although tariffs were eliminated, numerous regulations concerning customs have still imposed barriers to trade among the countries.

Finally, the drug and gang violence in Mexico is a concern for foreign investors. Whereas the violence was formerly limited mostly to cities on the crossroads between the United States and Mexico, such as Juarez, the violence has now spread even to Mexico's business capital of Monterrey—home to many U.S. and foreign businesses and/or franchises. If the violence is left unabated, pressure to disband the trade agreement is likely to increase. The President of Mexico, Enrique Peña Nieto, has proposed a new program to deter drug-related violence, dropouts, domestic violence, and addictions. It remains to be seen whether his reforms will have the desired effect.

Despite the negative effects of NAFTA, support for the trade agreement remains strong among many citizens among the three countries. After NAFTA was initiated, trade between the countries increased significantly (although whether this was a result of NAFTA is still being debated). Additionally, Mexico has become a hotspot for technological industries as well as the more traditional *maquiladora*. Electronics, aerospace, and software companies have begun relocating to Mexico, revitalizing some of the country's metropolitan areas. Many firms are finding it beneficial to outsource to Mexico rather than investing in countries farther away such as China. Although poverty is still a challenge in Mexico, the country's economy has been improving; it is estimated that Mexico will become one of the top ten countries with the highest gross domestic product (GDP).

The economic relationship that has evolved with Mexico and the United States has become a strategic alliance in the form of bilateral trade. The economic conditions in both countries have been separately and jointly, volatile but have progressively began to stabilize after the financial crisis. Since both sides make convincing arguments for the benefits or disadvantages of NAFTA, there is no easy answer as to whether the pact should be retained as is, changed significantly, or repealed altogether.

There are two sides to every issue:

1. NAFTA has helped to promote trade and therefore has been beneficial to the U.S. and to Mexico.
 2. NAFTA has hurt Mexico's economy and has not helped the way it was intended to.
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