NAFTA Essay, Research Paper

The North American Free Trade Agreement (NAFTA), which built on the 1989

U.S.-Canada Free Trade Agreement (CFTA), is the most comprehensive regional free

trade agreement ever negotiated. It created the world’s largest free trade area:

380 million people producing nearly $8 trillion dollars worth of goods and

services. On January 1, 1994 the North American Free Trade Agreement entered

into force. One of the main objectives of the Agreement is the elimination of

tariffs between Canada, Mexico and the United States on "qualifying"

goods by the year 1998 for originating goods from Canada and for originating

goods from Mexico by the year 2008. Positive Effects on NAFTA Growth in Trade:

A+ Total North American trade increased from $293 billion in 1993 to $420

billion in 1996, a gain of $127 billion or 43 percent during NAFTA’s first three

years. Mexico and Canada purchased $3 of every $10 in U.S. exports and supplied

$3 of every $10 in U.S. imports in 1996. Growth in U.S. Exports: A+ Thanks to

NAFTA, Mexican tariffs?which had averaged 10 percent before the trade

agreement was implemented?now average less than 6 percent, while average U.S.

tariffs have fallen from 4 percent to about 2.5 percent. As a result, U.S.

exports to Mexico grew by 37 percent from 1993 to 1996, reaching a record $57

billion.3 During this period, U.S. exports to Canada also increased by 33

percent, to $134 billion. Total two-way trade between the United States and

Canada was $290 billion in 1996, while total two-way trade between the United

States and Mexico was nearly $130 billion. Moreover, U.S. market share in Mexico

increased from 69 percent of total Mexican imports in 1993 to 76 percent in

1996. During NAFTA’s first three years, 39 of the 50 states increased their

exports to Mexico; moreover, 44 states reported a growth in exports to Mexico

during 1996 as the pace of U.S. exports to that country accelerated. NAFTA has

shattered the myth that U.S. trade deficits destroy U.S. jobs. The combined U.S.

trade deficit with Canada and Mexico increased during the first three years of

NAFTA’s implementation?from $9 billion in 1992 to $39.9 billion in

1996?because Canada and Mexico suffered economic recessions. U.S. exports to

NAFTA countries currently support 2.3 million U.S. jobs. The largest post-NAFTA

gains in U.S. exports to Mexico have been in such high-technology manufacturing

sectors as transportation and electronic equipment, industrial machinery,

plastics and rubber, fabricated metal products, and chemicals. NAFTA has

encouraged U.S. and foreign investors with apparel and footwear factories in

Asia to relocate their production operations to Mexico. U.S. Compliance with

NAFTA: B In December 1995, the Clinton Administration postponed indefinitely the

implementation of a NAFTA deadline to allow Mexican trucks to circulate in the

southwest United States. U.S.-Mexico Trade Relations: B President Clinton’s

first official trip to Mexico this month came at a time in which relations

between the two countries were at their lowest point in years. The trade and

investment growth achieved during NAFTA’s first three years has been eclipsed by

the peso crisis and political turmoil in Mexico and by growing bilateral

tensions over drug control policy, immigration, and the Helms-Burton Act’s

tightening of economic sanctions against Cuba. These tensions in U.S. Mexico

relations have surfaced because the Clinton Administration did not assign a

sufficiently high priority to Mexico during its first term in office. NAFTA,

however, was never intended to be anything other than a free trade agreement?a

three-way pact by the United States, Mexico, and Canada to eliminate all tariff

and non-tariff barriers to trade over a period of 10 to 15 years. NAFTA was

designed to encourage faster growth in North American trade and investment,

which it has been doing successfully since January 1, 1994. Reform Process in

Mexico: A One of NAFTA’s important achievements has been to "lock in"

the process of economic and political reform under way in Mexico for the past

decade. Mexico’s membership in NAFTA, the World Trade Organization, the

Asia-Pacific Economic Cooperation forum, and the Organization for Economic

Cooperation and Development has created international commitments and linkages

that it cannot ignore. Even though The Heritage Foundation’s 1997 Index of

Economic Freedom still accords Mexico a ranking of 3.35, or "Mostly Not

Free,"12 Mexico has become a more democratic country since NAFTA was

implemented. Negative Effects on NAFTA On the Mexican Side: Pa?l Picard del

Prado, president of the Food Board at the National Manufacturing Industry

Chamber (Canacintra), says the first five years of the North American Trade

Agreement (Nafta) have been good for Americans, but not for Mexicans. Meanwhile,

assembly plants that export semi-finished goods (maquiladoras) have seen

significant growth under Nafta. The Border Trade Alliance, however, will focus

on Nafta’s future at its first international conference next month in Monterrey,

Mexico, entitled "The 21st Century: Planning the Way." Companies with

high import-export volumes do business in dollars, while professionals like

lawyers or accountants bill clients in dollar rates. But that dollarization

touches only a certain upper crust of society some observers contend. A recent

poll surprised many political analysts when it showed that two-thirds of

respondents in the industrial city of Monterrey, and more than half of

respondents in Mexico City, were ready to welcome the dollar as their everyday

currency. On the American Side The American Coalition for Competitive Trade

(known as ACCT) plans this month to file the first of several legal challenges

to the NAFTA and GATT treaties and the $53 million bailout of Mexico. Two years

ago, at an ACCT conference on NAFTA, von Raab predicted that passage of the

trade agreement linking the Mexican and American economies would lead to

"chaos on the border," and so it has. Thomas Considine, director of

the federal government’s Drug Enforcement Administration, advised a Senate

committee in August that drug gangs in Mexico could eventually rival the

ruthless ring now operating in Colombia. A Congressional Joint Economic

Committee reported that "Mexican imports to this country cost the United

States 137,000 jobs" in the nine months following passage of NAFTA. Imports

from Mexico have soared since then, perhaps tripling the job-loss figure.

"Trade with Mexico has been a big factor in the expanding U.S. trade

deficit this year," says trade correspondent Richard Lawrence in the August

18th Journal of Commerce. A study by Vanderbilt University documents some of the

specific consequences of NAFTA: tomato production down 25 percent in Florida,

Scott Paper Company cutting more than 10,000 jobs worldwide prior to opening

multimillion-dollar plants in Mexico, the virtual elimination of the apparel

industry in the United States. Environmental Issues Trade agreements can have

negative impacts on efforts to achieve sustainable development if they do not

adequately address environmental issues. Increased wealth as envisaged within

NAFTA, and that this would inevitably lead to better environment was a misnomer

recognized by Canada, USA and Mexico. Increase trade volumes and general spiral

in a population’s wealth have environmental impacts. Environmental regulations

by individual countries affect others. There are several fundamental

environmental issues that are currently being addressed by NAFTA. Permist trade

in compliance with or to enforce international conservation or environmental

protection agreements. The future of NAFTA and the environment is promising.

NAFTA will help clean up existing problems and result in better environmental

protection. NAFTA vigorously addresses Mexico – US cross border issues and will

promote public participation and due process. For the first time in Mexico,

NAFTA guarantees public right of access of information about environmental

non-compliance, and improved rights of private From US perspective, NAFTA works

for continued enforcement of the Montreal (CFC) Protocol, the Convention on

International Trade in endangered species, and 36 other international

agreements. It also ensures that countries can continue to enforce environmental

laws. Future of NAFTA NAFTA AND THE FREE TRADE AREA OF THE AMERICAS The NAFTA

contains a very simple clause that states that if agreed to by the United

States, Mexico, and Canada, other countries may accede to this agreement. Chile

subsequently negotiated separate bilateral arrangements with Mexico and Canada,

leaving U.S. firms at a relative disadvantage. The CEOs noted that fast track

was the key to winning congressional approval of NAFTA expansion, and added that

" without new fast track authority, there can be no expansion of NAFTA to

include Chile or other Central and South American countries, and America?s

global trade leadership will be irreparably harmed."(UE News). Labor

Unions, human-rights groups, protectionists, and some environmental

organizations have debated the issue of benefits of trade and investment to the

US by the current NAFTA agreement, and have strongly opposed the expansion of

NAFTA. The Future of Rules of Origin in NAFTA Trade As tariff rates on goods

traded between the three NAFTA countries continue to decline, NAFTA originating

products will gain competitive advantage within the North American market. This

advantage makes compliance with NAFTA rules of origin ever more important. At

present, however, investors in Mexico may find in- bond duty drawback programs

to offer greater tariff reduction than the NAFTA preferential duties. Pitex and

Maquiladora programs were established years ago to promote the export industry

in Mexico and create desperately needed jobs. These programs allow materials and

equipment to enter the country duty free and the only tariff charge is over the

value added to the exported finished product. Under NAFTA, an increasing

proportion of maquiladora output can be sold in Mexico (currently 80 percent of

a firm’s prior year output) reaching 100 percent in 2001.

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Year:1998 By the way you can find good graphics in http://www.usmcoc.org/naftafor.html

I used that reference also but i forgot to write it above.