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Introduction:

The North American Free Trade Agreement (NAFTA) was a significant trade agreement that was signed by the United States, Canada, and Mexico. Its primary objective was to promote economic cooperation and integration among these three states. The agreement became effective on January 1, 1994, and was in effect for more than twenty years until it was replaced by the United States-Mexico-Canada Agreement (USMCA), which became effective on July 1, 2020. NAFTA abolished the majority of taxes on goods exchanged among the three nations, thereby promoting the movement of goods and services across borders. (Wu & Chadee, 2022)

Additionally, it tackled a range of non-tariff obstacles to trade, including customs protocols and rules, intellectual property protections, and systems for resolving disputes. In addition, NAFTA incorporated clauses pertaining to labour and environmental regulations, with the objective of preventing a decline in working conditions or environmental safeguards resulting from trade liberalization.

Over time, NAFTA exerted a substantial influence on the economies of the countries involved. This resulted in a rise in the amount of trade, an increase in the movement of investments, and the establishment of interconnected systems for supplying goods and services throughout North America. Critics contended that NAFTA had a detrimental impact on employment in specific sectors, notably manufacturing, due to corporations relocating production to more cost-effective regions. Nevertheless, proponents highlighted the overarching economic expansion, enhanced competitiveness, and elevated living standards that ensued as a consequence of the pact. (Kikkawa, et al., 2019)

NAFTA encountered criticism and demands for revision, primarily from the United States. Concerns regarding trade deficits, job losses, and the repercussions on certain industries gathered significant support. These issues finally prompted the renegotiation of the deal, culminating in the USMCA. The purpose of the USMCA was to modernize and update NAFTA for the 21st century, while also resolving some of the criticisms that were raised against the original pact.

NAFTA was a revolutionary trade deal that had a profound impact on the economic environment of North America. Despite receiving criticism and proposals for change, it played a vital role in promoting trade liberalization and economic integration among the United States, Canada, and Mexico for more than two decades. (Auer, et al. 2018)

Benefits achieved by the NAFTA:

NAFTA has numerous potential advantages, as follow: (Winham & Grant, 2019) (Blecker, 2018)

1. Most tariffs and trade barriers between the US, Canada, and Mexico are eliminated under NAFTA. This elimination in trade barriers boosts trade among member countries, expanding products and services markets.
2. NAFTA promotes trade and investment to boost member economies. This growth can boost earnings, jobs, and living standards.
3. It boosts regional commercial competition. Reduced trade barriers allow enterprises to access more markets and profit from economies of scale, which can boost efficiency and creativity.
4. Increased competition from NAFTA can cut consumer prices. With more international goods and services, consumers have more options and may discover lower prices.
5. It protects and promotes member-country investment. This can inspire corporations to invest in each other's economies, boosting capital flows and growth.
6. NAFTA has been blamed for increasing job losses in some areas but generating new ones in others. Globally competitive industries may grow and provide jobs.

7. It fosters economic cooperation among member nations. Integration can improve diplomatic relations and cooperate on non-trade concerns.

The downsides caused by NAFTA:

NAFTA has encountered significant scrutiny and obstacles, resulting in various drawbacks: (Brookfield & Di Pierdomenico, 2022) (Kikkawa, et al., 2019)

1. NAFTA's impact on manufacturing jobs is a major criticism. Critics say NAFTA has outsourced jobs to countries with lower labor costs, causing job losses and pay stagnation in the US, Canada, and Mexico.
2. Some observers say NAFTA has increased income disparity in member countries. Trade and investment may boost some industries, but others may lose jobs and compete, exacerbating wealth gaps.
3. Critics say it doesn't address environmental issues. Critics say the agreement's emphasis on trade and investment has slack environmental regulations and enforcement, causing pollution and degradation, especially in border regions.
4. Its agricultural policies have displaced Mexican small farmers. Mexican farmers struggled to compete with subsidized US and Canadian agricultural exports after the deal, putting many out of business.
5. NAFTA gives transnational firms tremendous influence over domestic rules and regulations, which critics say undermines national sovereignty. Investor-state dispute settlement procedures in the agreement allow firms to challenge government actions they believe harm them.

6. It has been linked to trade imbalances among members, particularly between the US and Mexico. The agreement has increased the US trade deficit as Mexican imports have overtaken exports, according to critics.
7. Its intellectual property rights and investment rules may harm indigenous populations, notably in terms of access to traditional knowledge and resources.

The way NAFTA enforce its policy:

NAFTA implemented its policies primarily through methods specified in the agreement. NAFTA utilizes several crucial enforcement mechanisms: (Kennedy, 2021) (Villarreal & Fergusson, 2020)

1. Elimination of nearly all tariffs and most nontariff barriers on goods produced within North America.
2. Removal of Mexico's restrictive tariffs, quotas, and import licenses on products from the United States and Canada.
3. Investment provisions which helped "lock in" Mexico's liberalization of its investment laws and ensure basic protections for U.S. and Canadian investors in Mexico.
4. it established several mechanisms for resolving disputes among member countries.
5. it included provisions allowing member countries to impose trade remedies, such as anti-dumping and countervailing duties, to address unfair trade practices, such as dumping or subsidies.
6. it established various committees and working groups to oversee the implementation and enforcement of its provisions. These committees facilitated ongoing dialogue and cooperation among member countries on trade-related issues.
7. it included side agreements on labor and environmental standards (NAALC and NAAEC) that were intended to address concerns about the potential negative impacts of trade on

workers and the environment. However, these side agreements lacked effective Each member country was responsible for implementing and enforcing the provisions of NAFTA within its own jurisdiction. This often involved legislative changes and the establishment of regulatory agencies to ensure compliance with the agreement's rules and obligations.

8. it provided for ongoing consultations and negotiations among member countries to address issues and concerns that arose during the implementation of the agreement. These consultations served as a forum for resolving disputes and improving cooperation on trade matters.

Key items of trade in NAFTA:

NAFTA encompasses a broad spectrum of commodities and services that are exchanged between the nations that are part of the agreement. Key commodities traded within the framework of NAFTA encompass: (Choi, et al. 2021) (Marcoux, 2020)

1. ***Agriculture.***

Tariffs and TRQs on most agricultural items were repealed under NAFTA. It kept substantial over-quota tariffs on U.S. dairy, poultry, and egg shipments to Canada. NAFTA covered SPS and other agricultural non-tariff obstacles. Agricultural exporters consider SPS rules one of the biggest trade problems, causing increased costs, product loss, and supply chain disruption.

2. ***Investment.***

NAFTA removed several investment barriers in Mexico, safeguarded NAFTA investors, and established investor-country dispute settlement. NAFTA promised "nondiscriminatory treatment" for foreign investment in certain NAFTA industries. The treaty included national treatment exceptions and country-specific deregulation. Mexico might exclude foreign investment and participation in its energy sector, exempting it from NAFTA.

3. Financial and Telecommunications Services.

Canada granted Mexican banks CUSFTA exemption from NAFTA investment limitations. NAFTA financial firms were allowed to create financial institutions in Mexico, subject to market-share limits during a transition phase ending in 2000. NAFTA excluded basic telecommunications services but not their use. NAFTA gave telecommunications providers and customers a "bill of rights" that included access to public services, affordable private lines with flat rates, and the right to choose, buy, or lease terminal equipment that met their needs. Without party authorization, a NAFTA citizen could operate telecommunications transport networks or services. A party could monopolize a public network or service.

4. Intellectual Property Rights (IPR) Protection.

NAFTA was the first U.S. FTA to safeguard IPR. It expanded on the Uruguay Round talks that led to the WTO's Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement and other international intellectual property treaties. NAFTA parties made binding obligations to protect copyrights, patents, trademarks, and trade secrets.

5. Dispute Resolution.

CUSFTA provisions were used to build NAFTA's enforcement dispute provisions. Initial discussions, the NAFTA Trade Commission, or arbitral panel proceedings were available to resolve problems under NAFTA. NAFTA has separate investment and antidumping/countervailing duty dispute settlement mechanisms.

6. ***Government Procurement.***

A large amount of federal government procurement in each country was open to non-discriminatory suppliers from other NAFTA countries for products and services. It restricted state-owned enterprise purchases.

7. ***Labour and Environment.***

NAFTA was the first FTA to include labour and environmental requirements. Some stakeholders saw it as a chance to change NAFTA partnerships. Separate side agreements included language to promote labour and environmental cooperation and address a party's inability to enforce its own laws. A party's refusal to implement its laws could result in monetary assessments and punishments under the side agreements' dispute settlement systems, which were remarkable at the time.

The results achieved by NAFTA and the needs it helps to fill:

NAFTA achieves multiple crucial goals and caters to diverse requirements of its member countries, namely the United States, Canada, and Mexico. Below is an analysis of the achievements and requirements fulfilled by NAFTA: (Burfisher, et al. 2019) (Weisbrot, et al. 2018) (Gómez & Rodríguez, 2019)

1. Tariffs and other trade obstacles are reduced or eliminated to facilitate commerce among its member countries. By supporting free trade, the agreement helps firms develop their markets, client base, and exports.
2. Trade and investment in North America boost economic growth. The agreement promotes commercial competition, innovation, efficiency, and economic growth in all member countries.

3. It boosts North American economic competitiveness by encouraging specialization and comparative advantage. Companies can boost production and efficiency by having more inputs and resources.
4. It has been blamed for causing job losses in some industries but generating new ones in others. The agreement promotes trade and investment, creating jobs across sectors and boosting regional employment.
5. It fosters economic integration among its members. The pact strengthens North American economic ties by standardizing trade rules, enabling cross-border investment, and encouraging industry cooperation.
6. It can boost economic growth, job creation, and commerce in its member countries to raise living standards. Incomes, consumer choice, and access to products and services may increase as economies grow and prosper.
7. It gives North American investors more confidence and market access, encouraging investment. Investment protection and promotion in the agreement boost capital flows, infrastructure, and economic diversification.

The impact of NAFTA policies on the economies of its member states:

- **How NAFTA policies affected United States:**

Trade between the United States and its NAFTA partners, Canada and Mexico, increased substantially. The agreement effectively enabled the cross-border movement of products through the reduction or elimination of tariffs and additional trade barriers. It promoted the consolidation of supply chains throughout North America, with a specific emphasis on sectors including automotive manufacturing. Organizations capitalized on the accord by procuring components and parts from various countries in the region, thereby enhancing their competitiveness and operational effectiveness. The discourse surrounding its effects on employment in the United States has been ongoing. Although certain sectors encountered workforce reductions as a result of heightened import competition, others reaped the advantages of expanded export prospects. In general, research indicates that NAFTA had a moderate net impact on employment in the United States, as job creation in other sectors compensated for job displacement in specific sectors. Increased investment flows were facilitated between the United States and its NAFTA partners as businesses sought to expand or establish operations in order to take advantage of the provisions of the agreement. Consequently, North America experienced increased economic integration and cross-border investment. (Auer, et al. 2018)

- **How NAFTA policies affected Canada:**

Canada's commerce has benefited from NAFTA, especially with the United States, its largest trading partner. The agreement enabled Canadian enterprises to more efficiently and competitively penetrate the expansive U.S. market. Diverse sectors of the Canadian economy were impacted in different ways by NAFTA. Certain sectors, including energy, agriculture, and automotive manufacturing, experienced a surge in trade and investment, whereas others encountered difficulties due to heightened competition. Trade and investment promotion facilitated its contribution to the overall economic growth of Canada. Nevertheless, the degree to which the agreement affects economic development is a matter of contention, given that economic performance is also influenced by various other factors. Foreign direct investment (FDI) inflows into Canada were stimulated by NAFTA, as the accord granted investors enhanced security and entry into the North American market. (Schwartz, 2022)

- **How NAFTA policies affected Mexico:**

NAFTA significantly contributed to the expansion of Mexican exports, especially to the United States. The agreement granted preferential access to the U.S. market for Mexican exporters, which stimulated substantial expansion in sectors including manufacturing, electronics, and automotive. The Mexican economy underwent structural transformations as a result, as increased investment and commerce prompted the modernization and diversification of industries. Despite this, challenges such as income inequality and employment displacement in traditional sectors emerged. The impact on Mexico's agricultural sector was varied. Although certain agricultural producers experienced advantages due to enhanced accessibility to export markets, competition from subsidized imports posed difficulties for others, especially small-scale farmers. It effectively promoted increased industrialization in Mexico and garnered substantial foreign direct investment (FDI), specifically in the manufacturing and automotive industries. This contributed to the advancement of Mexico's economy and its integration into global value chains. (Weisbrot, et al. 2018)

NAFTA method for treating exchange rates:

NAFTA facilitates enhanced trade among its member nations through the reduction or elimination of tariffs and trade obstacles. Increasing trade volumes could potentially lead to shifts in the demand for currencies of the countries in the North American Free Trade Agreement (NAFTA). Increased exports from Mexico to the United States may result in a higher demand for Mexican pesos, which could cause the currency to appreciate compared to the U.S. dollar. It enhances cross-border investment flows in North America by offering investors increased predictability and market access. Investment pattern shifts, such as a rise in foreign direct investment (FDI) in Mexico's manufacturing industry, can impact exchange rates by altering currency demand. The impact of the organization on economic growth and macroeconomic policies in its member countries can also have an influence on currency rates. (Cuevas Ahumada, et al. 2019) When one country has stronger economic growth compared to others, it might result in higher interest rates and attract investments from abroad, which may cause the country's currency to increase in value. Furthermore, disparities in inflation rates, fiscal policies, and monetary policies can have an impact on exchange rates. The existence of it may impact market sentiment and investor confidence in the stability and prospects of the economies of the member countries. Favorable impressions of the advantages of NAFTA could result in a rise in investment and the influx of capital, which may potentially lead to the appreciation of currencies. Although NAFTA does not have direct control over exchange rates, its laws and effects on trade, investment, and economic conditions can indirectly affect the value of currencies in North America. Nevertheless, exchange rates are subject to other influences that extend beyond the realm of trade agreements, encompassing geopolitical events, global economic trends, and central bank policies. (Daelemans, et al. 2018)

The difference between NAFTA and the Convention:

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), commonly known as the TPP, is a significant trade agreement among Pacific Rim countries. Negotiations for the TPP began in 2005 with four original members: Singapore, New Zealand, Chile, and Brunei. Over time, additional countries joined the negotiations, eventually expanding to include 12 countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. One notable international trade agreement that bears resemblance to NAFTA is the CPTPP. (Wu & Chadee, 2022) The following are several pivotal policies that distinguish the CPTPP from NAFTA:

#		NAFTA	CPTPP
	Membership	the United States, Canada, and Mexico, covering North America.	The eleven nations of the Pacific Rim span both Asia-Pacific and the Americas.
	Trade Liberalization:	Focus on promote trade liberalization within the North American region by removing tariffs and trade barriers across multiple sectors.	Reduces tariffs and other trade obstacles in goods and services, addresses intellectual property rights, labour standards, and environmental protection, and liberalizes trade among its Asia-Pacific member countries.
	Labour and Environmental Standards:	The document incorporates side accords concerning labor and environmental standards (NAAEC and NAALC), which are not entirely enforceable and do not include penalty mechanisms.	The primary agreement incorporates provisions pertaining to labor rights and environmental protection, accompanied by mechanisms to ensure compliance and resolve disputes.
	Investor-State Dispute Settlement (ISDS)	It has ISDS tools that let investors to sue member nations for supposed breaches of investment safeguards.	Restricts the application of ISDS procedures, addressing worries about member states' regulatory autonomy by instituting a number of changes and safeguards.
	Intellectual Property Rights (IPR):	it Contains provisions on intellectual property rights, including patents, copyrights, and trademarks, aimed at harmonizing standards among member countries.	It Includes comprehensive provisions on intellectual property rights, with certain provisions that are more extensive and enforceable compared to NAFTA, particularly regarding pharmaceuticals and digital trade.
	Scope and Ambition:	Initially focused primarily on trade in goods and services, with later revisions and expansions to cover additional areas such as intellectual property and investment.	Addresses a broader range of issues beyond traditional trade barriers, including e-commerce, regulatory coherence, state-owned enterprises, and small and medium-sized enterprises.

Conclusion:

Ultimately, the North American Free Trade Agreement (NAFTA) represents a crucial milestone in the economic chronicles of North America. During its existence of almost twenty years, NAFTA significantly transformed the economic terrain of the United States, Canada, and Mexico, promoting greater trade, investment, and collaboration among the three countries. The influence of NAFTA went beyond just liberalizing trade; it enabled the establishment of interconnected supply networks, enhanced economic growth, and generated fresh prospects for firms and consumers alike. The pact stimulated innovation and specialization, enabling each member country to utilize its comparative advantages more efficiently. Although NAFTA achieved notable accomplishments, it also faced many difficulties and received critiques. Debates on the effectiveness and fairness of the agreement were driven by concerns about job displacement in specific industries, environmental degradation, and stagnant wages. The significance of incorporating social and environmental factors into trade agreements was highlighted by these challenges. Retrospectively, the legacy of NAFTA is intricate. The pact acted as a spur for the economic integration and prosperity in North America, while also emphasizing the difficulties and intricacies inherent in international trade agreements. In light of ongoing changes in global economic dynamics and geopolitical landscape, the insights gained from NAFTA will continue to be significant in influencing forthcoming trade policies and agreements. In essence, NAFTA's lasting impact may be attributed to its influential role in molding the economic destiny of North America.

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