



EUROPEAN
INTERNATIONAL
UNIVERSITY



COVER PAGE AND DECLARATION

	BBA top up program
Specialization:	B.B.A Top-Up
Affiliated Center:	CEO business school
Module Code & Module Title:	IBM340-International Economics
Student's Full Name:	Haifa Ali A Ayoub
Student ID:	EIU2022227
Word Count:	2500 words
Date of Submission:	10-05-2024

I confirm that this assignment is my own work, is not copied from any other person's work (published/unpublished), and has not been previously submitted for assessment elsewhere.

E-SIGNATURE: Haifa Ali _____

DATE: 10-05-2024 _____

EIU Paris City Campus

Address: 59 Rue Lamarck, 75018 Paris, France | **Tel:** +33 144 857 317 | **Mobile/WhatsApp:** +33607591197 | **Email:** paris@eiu.ac

EIU Corporate Strategy & Operations Headquarter

Address: 12th Fl. Amarin Tower, 496-502 Ploenchit Rd., Bangkok 10330, Thailand | **Tel:** +66(2)256923 & +66(2)2569908 | **Mobile/WhatsApp:** +33607591197 | **Email:** info@eiu.ac

Components Assessment	Marks Allocated	Marks Achieved
NAFTA Trade Analysis	30	
International Trade Agreement Discussion	10	
Overall Content Marks		
Format and Structure	10	
Practical Application	15	
Theoretical Application	15	
Word Choice and Grammar	15	
References	5	
Total Marks	100	
Word Penalty This penalty is for papers that overly exceed the word count.	(-5)	

Table of Contents

Introduction.....	5
What Was the North American Free Trade Agreement (NAFTA)?.....	5
a. What are the benefits of NAFTA?.....	5
b. What are the downsides of NAFTA?.....	6
C. How does NAFTA enforce its policies?.....	6
d. What are the main items of trade in NAFTA?.....	7
e. What does NAFTA accomplish and what needs are met by NAFTA?.....	8
f. How have NAFTA policies affected its member nations' economies?.....	9
Conclusion.....	14
References.....	14

Introduction

The North American Free Trade Agreement (NAFTA) was a groundbreaking accord signed by the United States, Canada, and Mexico, aimed at eliminating trade barriers and fostering economic integration among the three nations. Effective from January 1, 1994, NAFTA was designed to enhance economic cooperation by reducing tariffs, removing restrictions on investment, and facilitating the cross-border flow of goods and services.

What Was the North American Free Trade Agreement (NAFTA)?

The North American Free Exchange Assentation (NAFTA) was actualized to advance exchange between the U.S., Canada, and Mexico. The assertion, which dispensed with most taxes on exchange between the three nations, went into impact on January 1, 1994. Various duties, especially those related to agrarian items, materials, and automobiles, were continuously staged out between through January 1, 2008. NAFTA was ended and supplanted by the Joined together States-Mexico-Canada Understanding (USMCA) in 2020.

The North American Free Exchange Assentation was actualized in 1994 to energize exchange between the U.S., Mexico, and Canada.

NAFTA diminished or dispensed with taxes on imports and sends out between the three taking an interest nation, making a colossal free-trade zone.

Two side assertions to NAFTA pointed to set up tall common guidelines in working environment security, labor rights, and natural assurance, to avoid businesses from migrating to other nations to misuse lower compensation or looser controls.

It was afterward supplanted by the Joined together States-Mexico-Canada Understanding, which was marked on November 30, 2018 and went into full constrain on July 1, 2020.

NAFTA was a disputable assertion, hurting the U.S. economy by a few measures and moving forward it in others.

a. What are the benefits of NAFTA?

The North American Free Trade Agreement (NAFTA) was a settlement dispensing with most trade obstructions between the U.S., Canada, and Mexico that went into effect on January 1, 1994. A few of its arrangements were implemented instantly, whereas others were phased in over the 15 years that followed.

U.S. President Donald Trump railed against it during his campaign, promising to renegotiate the bargain and "tear it up" in case the United States couldn't get its desired concessions.

A recently arranged United States-Mexico-Canada Agreement (USMCA) was affirmed in 2020 to overhaul NAFTA.

But why did Trump and numerous of his supporters see NAFTA as "the most exceedingly bad trade bargain possibly ever" when others saw its fundamental inadequacy as a need of desire and the arrangement as however more territorial integration? What was guaranteed? What was conveyed? Who were NAFTA's victors, and who were its failures? Examined on to discover out more approximately the history of the bargain, as well as the key players within the understanding, and how they've been faring.

b. What are the downsides of NAFTA?

The most drawback of NAFTA was the misfortune of United States fabricating employments. Numerous employments moved from the United States to Mexico, as higher-paying manufacturing plant occupations moved to more cost-effective locales. This was particularly genuine in lower-skilled businesses such as the car or material businesses.

C. How does NAFTA enforce its policies?

The Government of the United States of America, the Government of Canada and the Government of the United Mexican States:

Reviewing their resolve within the North American Free Exchange Understanding (NAFTA) to:

make an extended and secure advertise for the products and administrations created in their regions,

improve the competitiveness of their firms in worldwide markets,

make unused work openings and make strides working conditions and living measures in their individual domains, and secure, improve and implement fundamental workers' rights;

Asserting their proceeding regard for each Party's structure and law;

d. What are the main items of trade in NAFTA?

the North American Free Exchange Understanding (NAFTA), which was sanctioned in 1994 and made a free exchange zone for Mexico, Canada, and the Joined together States, is the foremost vital include within the U.S.-Mexico respective commercial relationship. As of January 1, 2008, all taxes and shares were killed on U.S. sends out to Mexico and Canada beneath the North American Free Exchange Assentation (NAFTA).

Mexico is the Joined together States third biggest exchanging accomplice and moment biggest send out showcase for U.S. items. In 2018, Mexico was our third-largest exchanging accomplice (after Canada and China) and second-largest trade showcase. Two-way exchange in merchandise and administrations totaled USD 678 billion, and this exchange specifically and in a roundabout way bolsters millions of U.S. employments. The Joined together States sold USD 265 billion of U.S. items to Mexico in 2018 and USD 34 billion in administrations, for a add up to of USD 299 billion in U.S. deals to Mexico. Mexico is the primary or second-largest trade goal for 27 U.S. states.

NAFTA gives scope to administrations but for flying transport, oceanic, and essential broadcast communications. The understanding too gives mental property rights security

in a assortment of ranges counting obvious, trademark, and copyrighted fabric. The government acquirement arrangements of the NAFTA apply not as it were to products but to contracts for administrations and development at the government level. Furthermore, U.S. speculators are ensured rise to treatment to household speculators in Mexico and Canada.

NAFTA permits your company to dispatch qualifying merchandise to clients in Canada and Mexico obligation free. Goods can qualify in a few ways beneath Natas rules of origin. This may be due to the products being entirely gotten or created in a NAFTA party or since according to the products run the show of beginning there's adequate sum of work and materials required in a NAFTA party to form the item gotten to be what it is when its traded.

e. What does NAFTA accomplish and what needs are met by NAFTA?

the North American Free Exchange Assentation (NAFTA) was the world's biggest free exchange understanding. In spite of the fact that NAFTA has since been supplanted by the Joined together States-Mexico-Canada Assentation (USMCA) â which came into impact on July 1, 2020 â NAFTA had a noteworthy impact on exchange between Canada, Mexico, and the Joined together States.

North American Free Exchange Assentation (NAFTA) definition

NAFTA was a arrangement between the Joined together States, Mexico, and Canada that killed most exchange duties between these North American nations. It too evacuated speculation confinements, ensured mental property rights, and tended to labor and agrarian concerns.

Little businesses in all three nations were anticipated to advantage considerably, since NAFTA made a difference to diminish ruddy tape and cut the taken a toll of doing trade

overseas.

What year was the North American Free Exchange Understanding (NAFTA) marked?

NAFTA had an broad pre-history some time recently it was inevitably marked into law. In his 1979 presidential campaign declaration, President Ronald Reagan expressed that he needed to bind together the North American showcase to assist the USA compete way better overseas.

At that point, in 1984, Congress endorsed the Exchange and Tax Act. This gave the president the specialist to arrange free exchange assentions, allowing Congress as it were to approve/disprove the assention. In 1992, President George H.W. Bush marked NAFTA some time recently it went to the councils of the Joined together States, Canada, and Mexico for approval.

At long last, NAFTA came into impact on January 1, 1994.

Why was the North American Free Exchange Understanding (NAFTA) established?

As specified within the past area, NAFTA was set up to assist American companies compete superior on the universal organize. Around one-quarter of imports to the Joined together States, from animals and vehicles to deliver and apparatus, begin in Mexico and Canada. In expansion, around one-third of sends out from the Joined together States go to Mexico and Canada.

As such, decreasing taxes and speculation confinements was anticipated to fuel financial development and boost the fortunes of little businesses.

How did the North American Free Exchange Understanding (NAFTA) influence the Joined together States?

In spite of the fact that NAFTA clearly had numerous achievements, a few of its spoilers contend that it finished up having a negative impact on US laborers.

Put basically, the concern spun around the plausibility that fabricating occupations would move to Mexico due to lower labor costs which US specialists who were able to hold their employments would be constrained to acknowledge lower compensation.

The US has misplaced a strikingly expansive number of fabricating occupations over the past three decades (fabricating work fell by 3.3 million between 1998 and 2004), but its troublesome to decide whether this was an impact of NAFTA, or just coincidental.

After all, fabricating occupations were as of now declining earlier to the endorsement of NAFTA, and its troublesome to disconnect the impacts of NAFTA from the bigger financial streams as a entire.

f. How have NAFTA policies affected its member nations' economies?

A decade prior, Canada, Mexico, and the Joined together States propelled the world's biggest free exchange zone beneath the North American Free Exchange Understanding (NAFTA). The assertion spoken to a watershed in worldwide exchange arrangement, not fair since of the measure of the free exchange range it made, but moreover with respect to the comprehensiveness of the understanding, which secured not fair stock exchange but too issues related to venture, labor markets, and natural approaches. Maybe the foremost noteworthy viewpoint of the assentation, in any case, was the reality that it was struck between a creating nation and exceedingly created economies. The result has been to goad a emotional increment in exchange and monetary streams among the NAFTA accomplices and to contribute to making North America one of the foremost financially coordinates locales within the world.

Against the foundation of the encounter of the past decade, this paper looks for to offer an appraisal of the affect of NAFTA on development and trade cycles in Mexico. Without a doubt, with proceeded discussion encompassing the costs and benefits of expanded exchange and money related streams, NAFTA gives an curiously case think about to

gage their impacts on creating nations. In arrange to handle these issues, the paper to begin with surveys the specifics of the understanding and presents some stylized truths with respect to its impacts on exchange and money related streams within the locale. Moment, it considers the degree to which changes in exchange and budgetary streams have influenced trade cycle flow in Mexico. Third, it surveys the observational prove on how NAFTA has changed the development elements in Mexico. At last, the paper talks about the interaction between NAFTA and the other arrangement challenges confronting the Mexican economy and looks for to draw a few essential lessons for both Mexico and other nations in Latin America, as the locale works toward a Free Exchange Range of the Americas (FTAA).

Confining the impacts of NAFTA on its accomplice nations is especially troublesome given the noteworthy other stuns that have happened over the past decade. NAFTA without a doubt had a noteworthy affect on the macroeconomic environment confronting Mexico, given the decay in exchange obstructions and expanded advertise get to that the assentation given Mexico. The key arrangements of NAFTA and changes in exchange obstructions between the part nations are archived in Area II. In any case, as examined in Area III, recognizing the impact of these changes is complicated by the reality that numerous of these were expected well in progress of the agreements approval, and by the truth that the liberalization was staged in as it were continuously. In expansion, a have of critical other shocks had vital impacts on Mexico and its NAFTA accomplices amid this period, counting: (i) the serious budgetary emergency that Mexico endured in 1994 (the Tequila emergency), which constrained a sharp cheapening of the peso; (ii) the wide extend of other free exchange courses of action that the NAFTA accomplices marked amid the same period; and (iii) the broader worldwide patterned environment, which included a recuperation from retreats within the early 1990s, the boom through to the conclusion of the decade, and the more later worldwide droop.

In any case, the information still shows up to affirm that NAFTA played an vital part in boosting exchange and money related streams within the locale. As outlined in

Segment IV, both casual assessment of the information and later observational examination propose that NAFTA has impelled a noteworthy increment in stock exchange among the accomplice nations. Maybe more critically, the nature of exchange inside the locale changed extraordinarily, with Mexico's sends out moving toward made merchandise and a significant increment in vertical specialization and intra-firm exchange among the NAFTA accomplices. Later inquire about too proposes that the NAFTA participation has essentially influenced outside venture streams to Mexico.

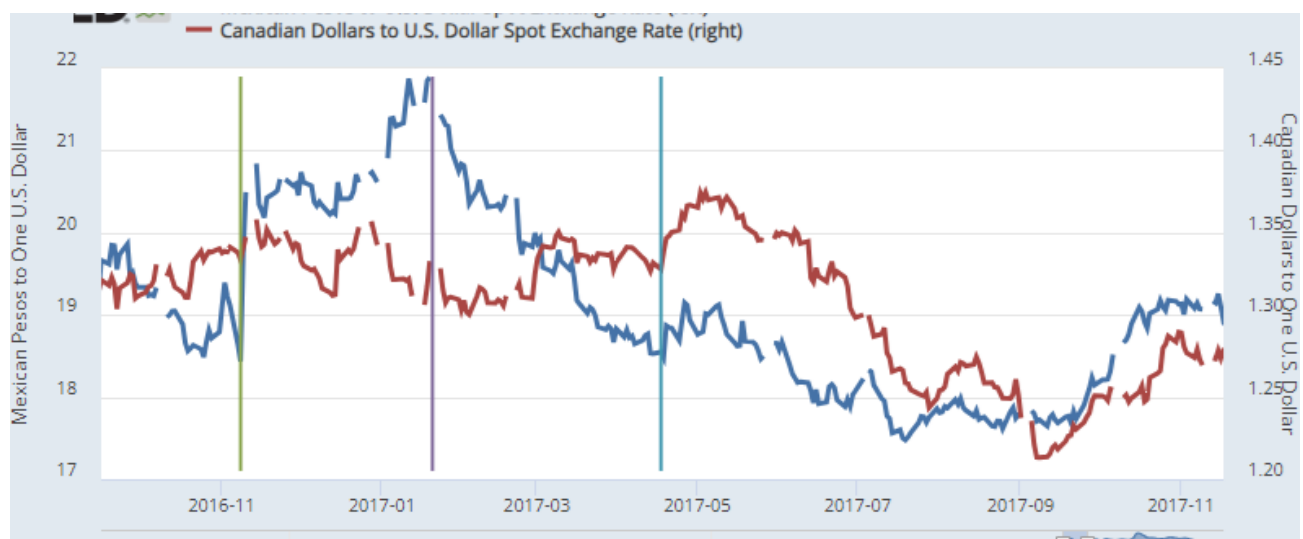
The increment in regional integration among NAFTA accomplices has had a considerable impact on commerce cycles in Mexico. Segment V reports that yield inconstancy declined in Mexico after the beginning of NAFTA, and Area VI appears that there has been a noteworthy increment in movement of commerce cycles inside the NAFTA locale amid the past decade. More profound examination employing a energetic idle calculate demonstrate proposes that these stylized facts reflect the sign of basic changes within the Mexican economy that have diminished the part of country-specific stuns in driving the Mexican business cycle and driven to a concomitant increment within the part of region-wide stuns. The significance of auxiliary components is encourage affirmed by considering a stochastic energetic common harmony show, which is calibrated to reflect a few fundamental highlights of the NAFTA economies. The show outlines that diminishments in exchange contacts that boost exchange streams can cause a concomitant increment in commerce cycle interdependency.

NAFTA moreover shows up to have favorably influenced Mexico's development execution over the past decade. This conclusion is affirmed by a wide extend of studies, which are overviewed in Segment VII. In specific, there has been a emotional increment within the normal development rate of venture after NAFTA. The elements of financial development in Mexico too have changed as commitments of trades and speculation to GDP development have strongly expanded taking after the presentation of the assentation. Besides, utilizing industry- and firm level information, later observational considers propose that NAFTA has essentially made strides add up to calculate efficiency in Mexico.

Regardless these benefits, the NAFTA encounter proposes critical lessons and challenges for policymakers in Mexico and somewhere else within the Western Half of the globe. The Mexican involvement beneath NAFTA outlines the critical benefits from free exchange understandings and from the broader drift toward globalization and integration of products and money related markets. At the same time, be that as it may, Mexico has in later a long time started to confront expanding competitive weights, counting from Asia and somewhere else in Latin America, at a time when U.S. request has drooped. As examined in Segment VIII, these competitive weights are improbable to disseminate, given the expanded integration of China into the worldwide economy and the force toward lower exchange obstructions inside the Western Half of the globe.

g. How does NAFTA address exchange rates?

exchange rates are among the foremost unstable macro series. When permitted to drift, trade rates are much more responsive to news and stuns than intrigued rates or the costs of products and administrations. They are unstable at lower frequencies (e.g., month to month and quarterly) but particularly unstable at higher frequencies (e.g., hourly, every day, or week by week)



A pertinent illustration is the later trade rate behavior for Mexico and Canada, two of the USAs fundamental exchanging accomplices. The chart appears the every day trade rate of the Mexican peso (cleared out hub) and the Canadian dollar (right hub) in terms of U.S. dollars. And the three vertical lines recognize three later U.S. occasions: decision day (Nov. 8, 2016) in green, introduction day (Jan. 20, 2017) in purple, and the day the president declared his purposeful to renegotiate NAFTA (April 27, 2017) in blue.

Amid the later presidential campaign, the Republican candidate clearly and passionately supported controlling a few universal exchange in common and ending NAFTA particularly. Be that as it may, the prevailing see (both inside the U.S. and around the world) was that the Equitable candidate would win the decision. The 2016 decision result was a shock for most eyewitnesses and, as contended here, for speculators as well.

After the race, both trade rates stabilized and indeed moved descending. In any case, the Mexican peso started a bumpy ride: It deteriorated altogether, cresting on Jan. 20, 2017, the date the unused organization took office. The peso at that point acknowledged persistently but as it were until April, when the president utilized Twitter to declare his slants to end NAFTA. This position was strengthened by the truth that the U.S. moreover forced preparatory countervailing obligations on Canadian imports of softwood. Both the peso and the Canadian dollar deteriorated with regard to the U.S. dollar. On April 27, 2017, the president declared his deliberate to renegotiate NAFTA. In the long run, both monetary standards acknowledged.

Since September, in spite of the fact that, both monetary standards have devalued: 5% for the Canadian dollar and 9% for the Mexican peso. Two components may be at work: a potential increment in U.S. intrigued rates and the news that renegotiating NAFTA has demonstrated to be exceptionally troublesome for all three nations.

Conclusion

In summary, the North American Free Trade Agreement (NAFTA) significantly reshaped the economic dynamics of the United States, Canada, and Mexico. While the agreement brought substantial benefits in terms of trade, investment, and economic growth, it also faced criticism for its impact on labor markets and environmental standards. As NAFTA evolved into the United States-Mexico-Canada Agreement (USMCA) in 2020, the legacy of NAFTA continues to influence regional trade policies and economic integration. Understanding the multifaceted impacts of NAFTA helps inform current and future trade agreements, striving for a balance between economic prosperity and social equity.

References

1. Agama, L. and C.A. McDaniel, 2002, "The NAFTA Preference and U.S.-Mexico Trade," Office of Economics Working Paper No. 2002-10-A, (Washington: U.S. International Trade Commission),
2. Berg, A. and A. Krueger, 2003, "Growth, and Poverty: A Selective Survey," IMF Working Paper 03/30 (Washington: International Monetary Fund).
3. Canas, J. and R. Coronado, 2002, "Maquiladora Industry: Past, Present, and Future, Federal Reserve Bank of Dallas," El Paso Business Frontier, Issue 2.
4. Gruben, W. C., 2004, Have Mexico's Maquiladoras Bottomed Out?", Federal Reserve Bank of Dallas, Southwest Economy, January/February 2004, pp. 14–15.