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# The North American Free Trade Agreement (NAFTA)

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## Introduction

Trade among the US, Canada, and Mexico is governed by the 1994 North American Free Trade Agreement, more commonly known as NAFTA. The member countries' economies were to benefit from the agreement's stated goal of lowering trade barriers. The effects of NAFTA on commerce and the economy have been the subject of both acclaim and criticism throughout the years. In this essay, we will go into the history and backdrop of NAFTA, discuss the agreement's virtues and cons, and examine its present status and future possibilities.

Aiming to foster economic progress in North America and in reaction to the growing globalisation of trade, NAFTA was established. The deal was finally finalised after more than three years of negotiations that started in 1990. In 1992, the heads of state of the three participating nations signed an agreement, and in 1994, it went into effect. Over the first two decades of NAFTA's existence, trade between member nations increased by more than 200 percent, demonstrating the agreement's immediate and profound influence.

More trade between member countries, more jobs, and a growing economy are all positive outcomes of NAFTA. Businesses now have an easier time trading goods and services across borders because to NAFTA's elimination of trade obstacles. The result has been a rise in business activity and the addition of new jobs in each of the three member nations. Critics of NAFTA point to the outsourcing of

manufacturing jobs and the displacement of workers as reasons to oppose the trade deal. Some also claim that the deal has caused a decline in worker protections and an increase in environmental damage.

After renegotiating NAFTA in 2018, the US, Canada, and Mexico came up with the USMCA. New labour and environmental criteria, as well as expanded access to the Canadian dairy market, are just a few of the ways in which the USMCA expanded upon the previous deal. All three member countries still need to ratify the accord, though. Some are wondering what will happen to NAFTA and the USMCA now that the COVID-19 outbreak has affected trade and the economy so dramatically. Who knows? Maybe a new deal will replace NAFTA or maybe it will be destroyed completely. Either way, it will be a cornerstone of North American trade.

### Benefits of nafta

There is no denying that investment and trade among North American partners have been increased by NAFTA. It would appear that regional economic cooperation has been beneficial to Mexico's economy. It turns out that NAFTA has not done much to promote equal development in Mexico when we examine job and salary patterns more closely. Although it has had a small but positive effect on Mexico's manufacturing sector, the adjustment shocks caused by trade liberalisation in the agriculture sector have more than made up for it. Even while NAFTA has not fixed all of Mexico's problems, proponents of the deal say it has increased investment and commerce (Hufbauer, Schott, op.cit.). A more successful regional economy that benefits the populations of all NAFTA countries should be the ultimate goal of regional economic integration, not an increase in international commerce

North American economy were the primary beneficiaries of NAFTA, according to most economists. Within the first several years of NAFTA's implementation, both regional trade and international investment surged. U.S. gross domestic product (GDP) was also modestly increased as a result of the arrangement.

### Job losses and environmental concerns.

The elimination of manufacturing jobs in the US was the biggest drawback of NAFTA. Moving higher-paying manufacturing employment to more cost-effective countries caused a significant migration of workers from the US to Mexico. This was particularly the case in sectors that required a lower level of expertise, such as the textile and automobile industries.

Some people are sceptical about NAFTA and other trade agreements because they believe they will lead to the loss of manufacturing employment in the United States. Between 1994 and 2016, the U.S. car sector lost almost 350,000 employment, according to the CFR. Workers in Mexico absorbed a large portion of those positions, since the automotive industry there gained more than 400,000 employment during that time.

### Nafta's policies and methods of enforcement,

On January 1, 1994, the United States, Canada, and Mexico implemented the North American Free Trade Agreement (NAFTA), an agreement that aimed to remove the majority of trade barriers among the three countries. Not all of NAFTA's provisions were put into effect at once; some were phased in over the subsequent fifteen years. The North American Free Trade Agreement (NAFTA) eliminated numerous trade barriers, including tariffs, when it came into force in 1994. Several times as much trade has transpired between the three nations since then. The United States-Mexico-Canada Agreement took its place in 2020, but it also led to the loss of American jobs. The United States was one of the countries that NAFTA impacted. When looking for the finest investments, both domestic and foreign, it could be helpful to consult a financial advisor .

For goods heading to Canada, the issuer of the written declaration of origin must keep it for five years from the date of importation; for goods heading to Mexico, it must be kept for ten years from the date of importation. Other supporting documents must also be kept for this duration in order to prove that the good qualifies as originating under the NAFTA rules of origin .

### Benefits and achievements of nafta.

Despite this, the majority of research indicates that NAFTA has only slightly increased GDP in the United States. By way of illustration, a 2014 study by the Peterson Institute for International Economics (PIIE) found that the US has been \$127 billion wealthier annually as a result of the "extra" trade growth that NAFTA encouraged. In the US, where there were 320 million people living at the time of the study, the pure economic reward was \$400 per person, despite a GDP per capita of nearly \$50,000. The trade pact's

advantages, like cheaper imported electronics or clothing, are distributed widely across the United States, as is the case with any trade pact worldwide. However, the costs of NAFTA are concentrated in certain industries, like auto manufacturing, where job losses may be substantial for specific firms.

"The overall economic impact of NAFTA is difficult to measure since trade and investment trends are influenced by numerous other economic variables, such as economic growth, inflation, and currency fluctuations," Villarreal and Fergusson said in a 2015 study published by the Congressional Research Service. Although trade liberalisation may have been hastened by the agreement, it is possible that many of these changes would have occurred anyway..

Every citizen of the three member nations has seen their standard of living and economic growth rise thanks to NAFTA since its inception in 1994. A strong basis for Canada's future prosperity has been laid by NAFTA, which has strengthened the procedures and laws controlling trade and investment throughout the continent .

## **Nafta and another international trade agreement.**

After NAFTA was passed, trade and investment obstacles among the US, Canada, and Mexico were either eliminated or significantly reduced. There have been political disagreements over the agreement's consequences on employment, the environment, and economic growth, among other things. Although some workers in sectors vulnerable to trade competition may have suffered, the majority of economic studies found that North American economies and the general public benefited from NAFTA. Many in the economic community believed that the United States would have suffered economic losses and lost employment had it chosen to either leave NAFTA or renegotiate its terms in a manner that reinstated trade barriers. Nonetheless, the loss of jobs and slowdown in economic growth, both immediately and over the long run, would have had a far more devastating impact on Mexico .

According to a research assessment published in 2001 by the Journal of Economic Perspectives, Mexico reaped net benefits from NAFTA. Eighty percent of Mexico's trade was with the United States by 2003. There is reliance on Mexican exports due to the commercial sales surplus and the global deficit. These impacts were most noticeable during the recession of 2001, when Mexican exports fell at a low or negative pace .

Binational panel review, rather than or in addition to traditional judicial review, is applied to findings of antidumping and countervailing duties (AD/CVD) under NAFTA's Chapter 19, a trade dispute process. In the US, for instance, the U.S. Court of International Trade—an Article III court—often hears appeals of agency judgements that impose antidumping and countervailing charges. On the other hand, parties to NAFTA might take their cases to binational panels made up of five individuals from each of the two participating NAFTA nations. Most of the panellists had extensive backgrounds in international trade law as solicitors. Given that NAFTA did not contain any concrete rules on AD/CVD, the panel was tasked with checking if the country's domestic law was followed by final agency determinations regarding AD/CVD. An unusual feature of international dispute settlement was Chapter 19, which instead called for a multi-national panel to reconsider the application of domestic law in one country rather than applying international law.

[Research an additional international trade agreement,.](#)

The importance of international trade agreements has increased substantially within the framework of the global economy. There are other agreements among the US, Canada, and Mexico besides the North American Free Trade Agreement (NAFTA), which is important but not exclusive. The number of multilateral trade agreements has grown in recent years. The agreements in question have been formalised. The purpose of this paper is to compare and contrast NAFTA with another international trade agreement. There will be an examination of the two agreements' dispute resolution mechanisms, economic effects, labour and environmental restrictions, and trade policies.

U.S., Canadian, and Mexican officials came together in 1994 to form NAFTA, the North American Free Trade Agreement. The goal was to facilitate trade and encourage economic growth among the three countries. As an additional international trade pact, the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP) will be the primary topic of this article. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was inked by eleven countries in 2018, among them being Australia, Japan, and Canada. This organization's stated purpose is to facilitate greater economic integration among its member nations and to lower trade barriers among them.

In terms of trade policy, the CPTPP and NAFTA could hardly be more different. Lessening tariffs and doing away with non-tariff trade obstacles were two of NAFTA's primary goals. It also included investment strategies and regulations for the protection of intellectual property. Along with other measures to promote digital trade and e-commerce, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) covers similar regulations. Comparatively, CPTPP trade policies are more comprehensive.

A number of trade agreements, including NAFTA and the CPTPP, have significantly altered economic patterns. The amount of trade between the three North American states that are part of the North American Free Trade Agreement (NAFTA) has grown, going from \$290 billion in 1993 to \$1.2 trillion in 2016. A rise in investment and the production of new employment opportunities are two other outcomes. With a predicted increase in GDP of \$147 billion by 2030, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is expected to have a similar effect. In addition to that, it will promote economic integration among member nations and enhance trade.

The CPTPP and NAFTA have different approaches to labour. Numerous critics have pointed to NAFTA's lack of worker protections as a reason why more jobs are being sent to Mexico. Workers' rights are guaranteed by the CPTPP, which prohibits forced and child labour and guarantees the right to collective bargaining. It also includes environmental conservation measures, such as safeguarding endangered species and lowering emissions of greenhouse gases.

There is a clear difference between the CPTPP and NAFTA dispute settlement procedures. As part of its dispute settlement procedure, NAFTA allows member nations to have a panel of experts help them work out their differences. In addition to a structure similar to the one described above, the CPTPP also includes provisions for openness and public participation in the dispute settlement process. More people will have access to the process of resolving conflicts, which will increase accountability.

There is regional cooperation and integration in both NAFTA and the CPTPP, although to different degrees. The primary goal of NAFTA was to encourage closer cooperation among the three North American economies—Mexico, Canada, and the USA. As a result, the three nations were able to create a commercial bloc that allowed for the unrestricted flow of goods, services, and capital. In contrast, eleven nations from the Asia-Pacific region are part of the more extensive Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). To achieve this goal, it promotes economic growth and development by reducing trade barriers; this leads to greater regional integration and cooperation.

Differences exist between the CPTPP's and the North American Free Trade Agreement's future possibilities. The North American Free Trade Agreement (NAFTA) has been defined by uncertainty ever since the US choice to exit from it. The accord was formerly known as the Canada–Mexico–United States Agreement (CNA), although it has since undergone renegotiation with both countries. Nothing has been altered with respect to the agreement. The United States-Mexico-Canada Agreement (USMCA) incorporates a slew of new restrictions about digital trade, workers, and the environment. Everyone is hoping that the CPTPP would keep the Asia-Pacific area economically integrated and growing. Eventually, it may expand to include more nations.

## Conclusion

The global economy has been profoundly affected by two major international trade agreements. Notable among these accords are NAFTA and the CPTPP, or the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Through an examination of their trade policies, economic impacts, labour and environmental policies, dispute settlement procedures, regional integration and cooperation, problems and critiques, and future possibilities, this essay aimed to offer a comparative analysis of the two agreements. Despite their similarities, the two accords approach and implement their shared goals of promoting free trade and economic prosperity in somewhat different ways. Furthermore, CPTPP and NAFTA have different future possibilities. Despite the uncertainty surrounding NAFTA's fate following the US exit, the CPTPP is expected to sustain its support for regional integration and economic growth. Generally speaking, international trade agreements are crucial tools for promoting economic

development and prosperity. However, these agreements also need to include workers' and the environment's protection regulations, as well as public engagement in dispute settlement.

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