We’ve had enough of nafta: perspectives in withdrawing our membership

Business, Work

After 14 years of existence, the North American Free Trade Agreement (NAFTA) has still yet to prove its worth as an effective regional trade bloc. As an avenue to promote free trade andglobalization, NAFTA has been much criticized for its inability meet the objectives and levels of political and economic integration. In this case, the debate of whether the United States should withdraw its membership in the NAFTA or not will enable us to assess the viability of this regional trade bloc in the age of globalization.

It was in December 1992 that the leaders of Canada, Mexico, and the United States have given their nods to draft the North American Free Trade Agreement (NAFTA) (OAS, 2008). Approved in the US Congress in 1994, NAFTA the agreement went into effect 1 January 1994 (OAS, 2008). The main goal of NAFTA is to build a framework for North American countries to ease out the trade barriers in order to promote a steady flow of exported and imported goods in the area.

Aside from allaying the barriers that hamper trade among the three countries, NAFTA also aims to achieve “ greater openness in the trade of services and in foreign investment”. Another important purpose of NAFTA is to permit “ the three countries to cooperate and coordinate on environmental and labor issues” (Jones, 2003). However, problems began to arise when environmental and labor concerns in this agreement became convoluted. Critics began to scoff NAFTA to be promoting inequality to the region. It is also revealed later that there are trade policies that are questionable that could be proven to be detrimental in the long term perspective.

In the globalizing world, it is but logical that most trade groups contain countries in the same area of the world to offer trade agreements, like NAFTA, to obtain mutual benefits. Yeung et al. (1999) offered these reasons why countries form regional trading blocs:

1. Economic Development. Many countries attempt to achieve economic growth by creating their own industries and by embracing a policy of imports substitution. However, many industries encounter problems related to limited domestic markets and the inability to achieve economies of scale. Under these circumstances, many countries pool their resources and create larger markets by integrating their economies.
2. Managing Trade Regionally. Many countries regarded global trade institutions as too bureaucratic and slow in responding to both trade opportunities and trade problems. As organizations expand their membership, they tend to become less responsive to their members, ideological differences proliferate, negotiations take forever, and reaching consensus is often very difficult. Neighboring countries usually have similar cultures and philosophical outlooks. The smaller group can respond faster than the global groups to problems and trade opportunities.
3. Economic Competition. Countries can become far more economically prosperous by forming trade blocs. European countries, for example, viewed economic integration as a way to stimulate trade in Europe. But

Europeans also believed that economic growth in Europe would enhance their ability to compete with the United States and Japan.

4. Political and Strategic Considerations. Although trade appears to be the primary reason for economic integration, many countries form trade blocs for political and security reasons.

NAFTA reflected a trade-policy response to the regionalization of capitalist competition at a global level. Content rule, tariff reduction schedules, and other NAFTA provisions are designed to favor its members. Premised on an improved capacity to export commodities produced under low-cost conditions in Mexico into the high-price consumer markets of North America, Western Europe, and Japan, NAFTA is an attempt to reclaim economic power in a capitalist world system.

Petras and Morley (1995) argue that “ NAFTA is the centerpiece of a new economic strategy … which Washington hopes to use as a springboard for its reemergence as a more competitive player in the world market” (p. 128–129). Moreover, Olson (2005) indicated that NAFTA promised a “ win-win” scenario for Mexico and the United States because having it would mean more jobs and increased wealth, which in turn would bring greater stability to the area and lessen migratory pressures.

Indeed, it is undeniable that NAFTA has brought about the sharp expansion of regional trade and investment in the region. From 1993 through 2004, “ US merchandise exports to and imports from Mexico have increased by 166 and 290 percent, respectively” (Hufbauer 2005, p. xxxvii). As Mexico is burdened with gargantuan debt, they regarded this trade agreement with the United States as an essential step in achieving economic development.

The United States desired to maintain stability in Mexico and saw abundant and inexpensiveMexicanlabor as beneficial to U. S. companies that were anxious to gain a competitive advantage over the Japanese and Europeans. Canada, wanting to retain its favorable trading relationship with the United States, viewed economic integration in North America as a way of countering U. S. dominance of the Americas (Vega-Canovas 1999, p. 230).

However, NAFTA could not go unfazed without mudslinging from several critics. Jubasz (2004) revealed that the most reliable data available demonstrated how economic globalization of trade like NAFTA has caused the most dramatic increase in global inequality andpovertyin modern history. Globalization of trade had only benefited the countries with bigger economies to dominate over economically-challenged countries.

The policies of economic globalization such as free trade, financial liberalization, deregulation, reduced government spending, and privatization had concentrated wealth at the top. It had tried to removed from Third World governments and communities the very tools needed to ensure equity and to protect workers, social services, theenvironment, and sustainable livelihoods. In this way, economic globalization and its institutions—including the International Monetary Fund (IMF), the World Bank, the World Trade Organization (WTO, and the North American Free Trade Agreement (NAFTA), have created the most dramatic increase in global inequality—both within and between nations—in modern history and have increased global poverty.

More specifically, NAFTA has been accused to have caused the environmental degradation in Mexico. Gallagher (2007) observed that “ rises in income have been small and environmental degradation has been large” in Mexico since the NAFTA was established. Costly environment degradation is slowly eating away the natural resources because the proper mechanisms were not put in place to help Mexico manage its economic growth in an environmentally sustainable manner. To keep at pace with NAFTA, Mexico doubled spending on environmental protection and started a much-needed industrial environmental inspection program. However, shortly after NAFTA was signed and fiscal and financial woes set in, attention to the environment are totally ignored.

Moreover, labor issues had rocked NAFTA in the 1990s. It had been an issue during Ross Perot’s presidential bid against Clinton and famous claim of an impending “ giant sucking sound” helped frame the political debate, but also alluded to important economic trends that affected them all. Fact is that Mexicans complain of the devastating impact it has had on small farmers in Mexico after being integrated in NAFTA.

Dugger (2003) reported that the Carnegie Endowment for International Peace, a research institute in Washington, D. C. filed a report concluding that NAFTA failed to generate substantial job growth in Mexico, hurt hundreds of thousands of subsistence farmers there, and had miniscule net effects on jobs in the United States. Income inequality is greater andillegal immigrationcontinues unabated (p. A9). The World Bank, on the other hand, found that NAFTA brought significant economic and social benefits to Mexico and argued that Mexico would have been worse off without the agreement (Dugger 2003, p. A9).

Clearly, there is a big problem with the level of integration among the United States, Canada, and Mexico in NAFTA as compared to that achieved by the European Union. NAFTA, unlike the EU, does not provide for the free movement of people across borders. NAFTA countries pursue their own independent trade, foreign, domestic, and defense policies.

Compared with the Europeans, who have given up some aspects of national sovereignty in exchange for European political and economic unification, NAFTA members jealously guard their sovereignty. In this case, there should be strong reforms needed in the NAFTA trade policies to make it more favorable for Mexico. If unfair regulation persists and environmental concerns are still ignored, it is high time that United States should withdraw its membership from the NAFTA because it does not bring the greater good that it promises for the region.

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