Changes in north america free trade agreement (nafta)

Economics

The North American Free Trade Agreement (NAFTA) came into place on January 1, 1994 with the intent to allow free trade between the United States, Mexico, and Canada without barriers. In theory, all three countries were expected to benefit equally from the implementation of the North American Free Trade Agreement. (Mishra, International Business: Competing in the Global Marketplace, 2018, p. 220)

There was a risk of job loss that the countries were aware of, but no one could foresee that the United States would have such a large number of job losses in the future. With a new president in the White House, there was great pressure to revisit the North American Free Trade Agreement to address the current needs and concerns of the United States, Mexico, and Canada. After successful renegotiation with Canada and Mexico on November 30, 2018, the United States-Mexico-Canada Agreement (USMCA) was signed.

The United States-Mexico-Canada Agreement will be implemented with businesses, farmers, and ranchers' best interests at mind. Labor rights are redesigned so thatMexicanworkers are provided a safe workingenvironmentand the opportunity to form unions. The wages in Mexico will also be increased. The increased wages should encourage the United States manufacturing businesses to pull out of Mexico and return their businesses to the United States. (Perspectives, " Opinion: Trump's new trade deal with Canada and Mexico is just what we need. Democrats should support it", 2019)

The United States-Mexico-Canada Agreement will affect global trade, the bottom line for businesses, consumer preferences, product prices, and standards of living. The United States-Mexico-Canada Agreement can also expect conflicts in regional integration, financial markets, and the low ofmoneyand labor around the world. Lastly, there will also be changes in the standard of living in the countries that are affected by the United States-Mexico-Canada Agreement.

Global trade will continue to increase in regard to agricultural products and commodities. The United States will be able to access Canada's dairy market. The agreement is that over a period of time, Canada will accept certain amounts of various dairy products such as cheese, milk, and butter. Trade barriers will be lifted, allowing more countries to trade freely amongst each other. Canada and Mexico are calling for the United States to lift tariffs on steel and aluminum as part of the United States-Mexico-Canada Agreement. In return, the United States will also accept dairy from Canada as well as sugar and peanut products. Canada has also agreed to grade the grain they receive from the United States fairly and to price grain at a reasonable price. (Office of the United

States Trade Representative, " United States-Mexico-Canada Trade Fact Sheet Agriculture: Market Access and Dairy Outcomes of the USMC Agreement") Many United States farmers are anxiously looking forward to the implementation of the United States-Mexico-Canada agreement since they had been living with uncertainty for so long under the North American Free Trade Agreement. (Farida, " The Regional Integration: The Impact and

Implications in Member States' Sovereignty", 2015) The United States-Mexico-Canada Agreement will essentially level out the playing field for the United States.

The countries involved will also have more access to foreign markets due to the implementation of the Customs Administration and Trade facilitation Chapter. Essentially, the process of moving goods between borders should move smoothly and have virtually no complications when it comes to inspections or customs forms. (Burfisher, Lambert, & Matheson, " NAFTA to USMCA: What is Gained?", 2019) To provide a solution for developed countries with the upper hand competing in less fortunate developing countries, the United States-Mexico-Canada Agreement aims to even out the playing field. Since there will be less trade duties, most businesses will see their bottom line increasing.

Depending on how the country is affected by the United States-Mexico-Canada Agreement, product prices will either increase or decrease. Previously, tariffs were placed on foreign exports to discourage competition in the United States. For example, let's say that Mexico wanted to export a certain crop to the United States, but the United States has some farmers that already produce that crop.

To protect these small farmers, a tariff would be placed on Mexico's crop and the price would be much higher than the price of the domestic farmer's crop. (Mishra, International Business: Competing in the Global Marketplace, 2018, p. 177) Consumer preference will depend on the individual. If the consumer is focused on the cheapest price possible, it’s very likely that they will prefer the product from the United States.

On the other hand, if the consumer prefers foreign goods and price is not a factor, they will pay more for the product they want. Another benefit of the United States-Mexico-Canada agreement is that it will enforce intellectual property protection now. In the medicine field, protection of intellectual property is very important and it will encourage innovation andtechnology. This is great, however there are concerns from people that think intellectual property protection in the medicine field will drastically raise the price for medicine.

Mexico and the United States have a very strong trade relationship history with each other. Looking at Figure 1, you will see the trade relationship between the United States in Mexico. From 1999 to 2017, this chart measures the trade balance, exports, and imports between both countries. Merchandise trading is much higher than service trade. The reason for this is because United States businesses such as manufacturing collaborate with Mexico to help assemble their products and send the completed products back to the United States.

The most common United States imports from Mexico include oil and gas, electrical equipment, motor vehicles and motor vehicle parts. As for United States exports to Mexico, basic chemicals, motor vehicle parts, petroleum, coal products, and semiconductors are some of the things that are exported. (" U. S.-Mexico Economic Relations: Trends, Issues, and Implications", 2019, p. 3)

If the United States-Mexico-Canada Agreement does get implemented, there is a risk that some companies will likely go to places where the cost of doing business is lower. This will continue to expand the presence of that country's businesses in foreign countries and allowing them to have a low cost business strategy. An example of this would be that regional integration may also strengthen Mexico's economy so that they are not as dependent on the United States like they once were.

The impact on the US job market will likely result in a continued decline in manufacturing and factory-type jobs, but an increase in service jobs. An implication for labor is that businesses will continue their search for the cheapest labor they can find as mentioned earlier. For example, with Mexico raising their wages, United States business in Mexico will probably pull out of the country and seek cheaper labor.

As long as the new country does not have high tariffs, such as Vietnam or India, United States businesses will likely move their manufacturing jobs there. With the advancement of technology, there will be a possibility of automation for some farming jobs. Unfortunately, this means that some workers will be replaced by machines. This is great news for the company because their labor costs will decrease, but the workers will suffer because typically the job skills they acquired from that job is not transferrable. Automation may increase the unemployment rate in the country that it is implemented in.

In theory, financial markets will increase due to the lower costs of doing business in another country. The flow of money will also increase between countries. One example of this is due to Mexican workers residing in other countries sending money back tofamilyin Mexico via money order or electronic transfer. This is also known as remittances and the southern states of Mexico appear to depend on these remittances because thepovertylevel is so high in that region and the value of the Mexican peso has dropped significantly.

Remittances contribute to the Mexican economy as those citizens in the poorer locations depend on it for basic living needs. Figure 3 below shows the flow of remittances to Mexico from all countries from 2002 to 2017. You can see that in 2017, remittances were are at its highest close to $30 billion US dollars. (" U. S.-Mexico Economic Relations: Trends, Issues, and Implications", 2019, p. 9)

As the global economy grows due to reductions in barriers of trade, the standard of living should improve across all countries. The standards of living in the United States should increase as a result of the United States-Mexico-Canada Agreement because more jobs should be returning from Mexico. For example, many United States manufacturing companies expand their businesses to Mexico with the sole purpose of taking advantage of the low labor costs. As the United States-Mexico-Canada Agreement plans to increase the working wages in Mexico, the American businesses should feel pressure to return to the United States.

This will create plenty of jobs for the American people and help decrease the unemployment rate. As for the people of Mexico, they should also experience an increase in the standards of living as they will have higher wages and more benefits. The United States-Mexico-Canada Agreement also vows to increase the labor rights among the Mexican people where they have the right to form unions and a right to a safe working environment. Forced labor in Mexico will no longer be tolerated. (Perspectives, " Opinion: Trump's new trade deal with Canada and Mexico is just what we need. Democrats should support it", 2019)

Inevitably, many changes are coming to theagribusinessandfoodsector between now and 2025. The United States-Mexico-Canada Agreement will affect Businesses need to maintain their competitive advantage by adapting to modern needs. While the United States-Mexico-Canada Agreement is certainly a big step in the right direction, it is not perfect by any means. There’s plenty of room for improvement in trade, but this is definitely a good starting point from what it used to be.

If implemented, farmers, especially United States farmers will no longer have to live under ambiguity. With more guaranteed access to more agricultural markets, they will be able to maintain a steady flow of trade between Mexico and Canada.

Another change that will occur with the United States-Mexico-Canada Agreement is that innovation will change the game for farming. Farming will be easier as new machines are designed to make the farming process much easier and faster. This will increase the production of goods and save costs as well. The financial market will grow in a positive direction. Standards of living are expected to increase along with the increase of trade between countries.

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