

Due: April 28

Issue: Has NAFTA Hurt the American Economy?

*Briefly state the main idea that forms the basis of this argument:*

The forces of globalization increased international trade dramatically, creating even greater interdependence than before. However, during the 1980s and 1990s trading systems moved away from multilateralism toward bilateral and regional arrangements. At the same time, the United States moved in the direction of regional agreements for the Americas and the Pacific Rim. Even though the North American Free Trade Agreement (NAFTA) was bitterly controversial in all three of the countries taking part—the United States, Canada and Mexico—it was signed into law in the fall of 1993. Whether this agreement has hurt the American economy will be discussed below.

*List 2 or 3 facts that the author uses to support the idea on the FOR or PRO side:*

Proponents contend that NAFTA has helped the American economy by producing better-paying jobs and contributing to increased manufacturing output in the United States since the start of NAFTA. The advocates of the agreement made some bold claims about the good it would bring. Far from destroying jobs, it would create lots of new and better ones; incomes would rise and the poor would benefit proportionately; growth would accelerate and, to the extent that this posed environmental challenges, extra resources would be available to meet them.

*List 2 or 3 facts that the author uses to challenge the idea on the AGAINST or NEGATIVE side:*

Critics argue that besides the loss of significant number of jobs, NAFTA has generated a number of less visible harmful effects on the American economy which include increased income equality and reduced fringe benefits. They also point out that NAFTA has contributed to the growing income inequality and the declining wages of U.S. production. In addition, NAFTA accelerated the U.S. trade deficit which has been facilitated by currency devaluations in Mexico and Canada. Moreover, opponents of NAFTA see this agreement between the U.S., Canada, and Mexico as an experiment in reckless globalization. As such, they said, it would destroy jobs, make the poor worse off and start an environmental race to the bottom.

*List any propaganda, bias or faulty reasoning that you feel exists in either of the articles on this issue?*

Direct losses of jobs do not tell the whole story: changing the pattern of employment is after all one of the reasons for promoting trade. So long as lost jobs are balanced by new ones, the overall effect on employment will be small. Between 1994 and 2000 the United States economy created more than 2 million new jobs a year. Manufacturing employment has dwindled (with NAFTA as one relatively minor cause among many); jobs in other industries have more than made up the losses. And since the mid-1990s, at any rate, the great majority of new jobs created have paid above-median wages.

*Which side of the argument seems to make most sense to you and why?*

Politically, the skeptics, ten years after NAFTA was signed into law, can fairly claim victory. NAFTA is unpopular in all three countries. In Mexico, which stood to gain most from freer trade (since its barriers were so much higher at the outset) and which has indeed benefited greatly according to most economic appraisals, the agreement is widely regarded as having been useless or worse. In all three countries, the perceived results of NAFTA seem to have eroded support for further trade liberalization.

From an economic perspective, the right question to ask of NAFTA is simply whether it indeed succeeded in stimulating trade and investment. The answer is clear: it did. In 1990 the United States' exports to, and imports from, Canada and Mexico accounted for about a quarter of its trade; now they account for about a third.

Clearly, whether or not a person is willing to support FTAA depends in part on whether that person believes that NAFTA has helped or hurt the American economy. Nevertheless, the way to FTAA is long and controversial, especially, South America's biggest economy, Brazil, is not so sure. Therefore, the challenges are set and whether the FTAA becomes reality has to be seen in some other ten years.