

Analysis: Where NAFTA succeeded and where it failed

By Encyclopaedia Britannica, adapted by Newsela staff on 06.09.17

Word Count **666**

Level **810L**



The NAFTA signing ceremony in October 1992. U.S. President George H.W. Bush stands between Mexican President Carlos Salinas de Gortari and Canadian Prime Minister Brian Mulroney. The three leaders look on as representatives from their countries sign NAFTA. Photo from Wikimedia.

The North American Free Trade Agreement (NAFTA) is a deal signed in 1992. Many people liked it, and many people hated it. It eliminated most taxes on goods being sold between the United States, Canada and Mexico. Taxes are sometimes added to the price of things that are sold. When countries charge them to other countries, these taxes are called tariffs.

NAFTA was inspired by a similar deal in Europe. Several European countries came together. They eliminated taxes on imports between the European countries. When one country buys something from another country, it's called an import. When a country sells something to another country, it's called an export.

This led to more trade among those countries. Buying and selling things is called trade. The idea of NAFTA was to increase trade in a similar way in North America. A free-trade agreement was made between Canada and the U.S. in 1988. NAFTA basically added Mexico to that deal. NAFTA was negotiated by U.S. President George H.W. Bush and the leaders of Canada and Mexico. It was signed by the three leaders in 1992 and went into effect on Jan. 1, 1994.

NAFTA lowered taxes between the three countries. It also wanted to take away other barriers to trade. Some taxes were ended immediately. Others were removed over a few years. NAFTA made sure many goods could be bought and sold between the three countries without taxes. Other parts of NAFTA were designed to give U.S. and Canadian companies more access to sell things and open businesses in Mexico. This included banks, advertisements, telephone companies, and shipping things by trucking companies.

People who supported NAFTA thought that free trade in North America would bring wealth. They said it would increase trade and more goods would be produced. They believed the deal would create millions of well-paying jobs.

Opponents did not agree. They thought it was a way for big corporations to make more money. These opponents thought it would be bad for ordinary citizens. They also felt that low wages in Mexico would attract U.S. and Canadian companies. They said that these companies would move their manufacturing to Mexico because they could pay workers less. People worried this would cause a loss of jobs in the United States and Canada. People also worried that new factories in Mexico would damage the environment. Other people worried that small farmers would lose their farms because big farms might become more powerful and push out smaller farmers.

It hard to tell how much NAFTA helped. NAFTA definitely failed to deliver all that its supporters had promised. Mexico had a huge increase in imports and exports. This meant that Mexican customers could now buy better-quality and lower-priced goods. The United States and Canada might have gotten a small benefit from NAFTA, but some people think NAFTA may have lowered pay for workers in the U.S.

In addition, little changed in terms of the job market. Immigration rules still kept Mexicans from going back and forth to the U.S. or Canada. This meant Mexican workers still made much less money than people in the United States and Canada. U.S. and Canadian companies did invest a lot more in Mexico. But because Mexico's roads, railroads, ports and electricity plants were not well developed,

some U.S. and Canadian companies didn't set up businesses there. As a result, not too many people lost jobs in the United States and Canada. No environmental problems were caused by new factories in Mexico like some people thought would happen.

NAFTA is still being followed. In 2004, NAFTA expanded to include five Central American countries: El Salvador, Guatemala, Honduras, Costa Rica and Nicaragua. This was called the Central America Free Trade Agreement (CAFTA). Dominican Republic, Colombia, Peru and Panama joined later. There was another deal, signed in 2015, called the Trans-Pacific Partnership (TPP). Many experts say this is an expansion of NAFTA into Asia.

Quiz

- 1 Read the section "Desire for increased trade led to NAFTA."

Select the paragraph that BEST shows HOW NAFTA was created.

- 2 Read the paragraph from the section "NAFTA did not lead to significant job growth."

In addition, little changed in terms of the job market. Immigration rules still kept Mexicans from going back and forth to the U.S. or Canada. This meant Mexican workers still made much less money than people in the United States and Canada. U.S. and Canadian companies did invest a lot more in Mexico. But because Mexico's roads, railroads, ports and electricity plants were not well developed, some U.S. and Canadian companies didn't set up businesses there. As a result, not too many people lost jobs in the United States and Canada. There were also no environmental problems caused by new factories in Mexico, like some people thought would happen.

Which sentence from the paragraph BEST supports the idea that NAFTA achieved one of its goals?

- (A) This meant Mexican workers still made much less money than people in the United States and Canada.
- (B) U.S. and Canadian companies did invest a lot more in Mexico.
- (C) As a result, not too many people lost jobs in the United States and Canada.
- (D) There were also no environmental problems caused by new factories in Mexico, like some people thought would happen.

- 3 According to the section "Desire for increased trade led to NAFTA," HOW did people feel about the agreement?
- (A) Some people believed NAFTA would increase trade and jobs, but others believed big companies would make money while smaller companies, farms and workers would be hurt.
 - (B) Some people believed NAFTA would help both workers and the environment, while others believed workers, the environment and big companies would be hurt.
 - (C) Most people believed NAFTA would give banks and advertisers more money to pay their workers, because they would not have to pay taxes anymore.
 - (D) Most people believed NAFTA would improve trade, shipping and factories so much that most of the workers in the U.S., Mexico and Canada would end up losing their jobs.
- 4 What is the relationship between NAFTA and a European trade deal?
- (A) Both are agreements between countries to eliminate many taxes and make trade easier.
 - (B) Both are agreements that expanded into Asia to improve trade.
 - (C) Both are agreements between North America and Europe to ship more goods.
 - (D) Both are agreements that aimed to change immigration rules in member countries.