

The North American Free Trade Agreement

The North American Free Trade Agreement (NAFTA) was signed in 1994 to develop increased economic unification between the United States and two of its major trading partners—Canada and Mexico. This treaty created a free-trade zone eliminating most tariffs among the three countries. NAFTA also allows for a relatively free flow of labor, raw materials, and capital among these nations. Most, but not all, tariffs and business restrictions have been eliminated.

NAFTA is designed to enlarge the markets and economic bases of the countries involved. Consumers have benefited from an increased product variety and lower prices on many items. Increased trade among the countries has created many new employment opportunities. However, while many new jobs have been created, some are lower paying positions since the increased availability of workers has resulted in declining wages in some industries.

Regional trade agreements, also called economic communities, include the European Union (EU), which is the largest and most extensive. This economic community allows a free flow of goods, services, and workers among the member nations in western Europe. As of 1999, the EU consisted of 15 countries with others (mainly in eastern Europe) applying for future membership.

Other examples of regional economic cooperation include MERCOSUR (involving Argentina, Brazil, Paraguay, and Uruguay), the Economic Community of West African States (ECOOWAS), the Association of Southeast Asian Nations (ASEAN), and the Central American Common Market.

1. List the positive and negative aspects of free-trade agreements from the perspective of business, consumers, workers, and society.
2. Conduct a Web search of current information on NAFTA and the European Union. Locate and analyze information that would help companies do business in other countries? What goods and services would be strong prospects for foreign trade? What restrictions might a company face when doing business in these regions?