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its member states: on the example of USMCA”**

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Аннотация. В данной работе автором анализируется экономика и отношения США, Канады и Мексики в рамках зоны свободной торговли ЮСМКА. Автор разбирает основные положительные и отрицательные последствия для стран, которые состоят в зоне свободой торговли, чтобы понять на какие вопросы следует обращать внимание странам, стремящимся войти в зону свободной торговли. Первая глава данной работы посвящена истории создания зоны свободной торговли между США, Канадой и Мексикой. Сначала рассказывается история создания НАФТА и основные итоги соглашения, а затем история создания ЮСМКА. Во второй главе автор пишет о положительных последствиях для США, Канады и Мексики членства в ЮСМКА, также упоминается НАФТА как предшественник ЮСМКА. В третьей главе разбираются основные минусы НАФТА и ЮСМКА для экономики и отношений между США, Канадой и Мексикой.

Ключевые слова: НАФТА, ЮСМКА, торговое соглашение, торговля, зона свободной торговли (ЗСТ), США, Канада, Мексика.

Abstract. In this work, the author analyzes the economy and relations of the USA, Canada and Mexico within the USMCA free-trade zone. The author analyzes the main positive and negative consequences for countries that are in the free-trade zone in order to understand what issues should be taken into account by countries, which want to enter a free-trade zone. The first chapter of this work is about the history of the creation of the free-trade zone between the United States, Canada and Mexico. First comes the history of the creation of NAFTA and its main results, then comes the history of the creation of the USMCA. In the second chapter, the author writes about the positive consequences for the U.S., Canada and Mexico of USMCA membership, NAFTA is also mentioned as the predecessor of USMCA. The third chapter reveals the main disadvantages of NAFTA and USMCA for the economy and relations between the U.S., Canada and Mexico.

Key words: NAFTA, USMCA, trade agreement, trade, free-trade zone (FTZ), the U.S., Canada, Mexico.

Content:

Introduction.....	4
Chapter 1. The history of the creation of a free-trade zone agreement between the USA, Canada and Mexico: from NAFTA to USMCA.....	13
1.1. The history of the signing of NAFTA and the main results of this agreement.....	13
1.2. The revision by the United States of trade agreements under President Donald Trump.....	19
Chapter 2. Positive influence of NAFTA and USMCA on the economy and relations between their member states.....	25
2.1. Positive influence of NAFTA and USMCA on the economy and relations between the United States and Canada.....	25
2.2. Positive influence of NAFTA and USMCA on the economy and relations between the United States and Mexico.....	31
Chapter 3. Negative influence of NAFTA and USMCA on the economy and relations between their member states.....	37
3.1. Negative influence of NAFTA and USMCA on the economy and relations between the United States and Canada.....	37
3.2. Negative influence of NAFTA and USMCA on the economy and relations between the United States and Mexico.....	41
Conclusion.....	50
Bibliography.....	54

Introduction

The number of free-trade zones is growing all over the world. Countries joining a free-trade zone expect trade growth with their trade partners, an increase in foreign investment and, in general, an acceleration of their economies and improved relations with each other. However, joining a free-trade zone, any country should be aware that a number of problems associated with this membership may come along with it. This Master's thesis contains the analysis of the influence of a free-trade zone on the economy and relations between its member-countries on the example of the USMCA. Moreover, the author of this work also pays attention to the North American Free Trade Agreement (NAFTA), since USMCA (also referred to as NAFTA 2.0) is the successor to NAFTA. Therefore, when analyzing USMCA, it is also necessary to take into account the results of NAFTA, since the current trade agreement between the United States, Canada and Mexico has a lot in common with its predecessor. USMCA covers various issues such as labor, the protection of intellectual property, environment, digital trade, the creation of an investment regime and so on. For the United States, which is one of the leading economies in the world, and for Canada and Mexico, membership in such a large integration as USMCA brings a number of advantages and disadvantages that we disclose in this work.

The relevance of this topic is due to the fact that more countries are becoming members of economic integration associations, which can affect the economy and relations between these countries. Considering the example of the USMCA, we can draw certain conclusions how free-trade zones affect the countries that are their members. However, we recall the European Union (EU) as a successful example of such an integration association. Nevertheless, the integration association between the United States, Canada and Mexico is of greater interest to the author of this work than the EU, since the USMCA still has to develop further in order to reach the level of integration of the EU. In addition, the United States, which sees itself as a leader in the world arena, is a member of USMCA, so it is interesting for the

author to consider how the country copes with the problems that arise between the U.S. and its trade partners within this free-trade zone.

The scientific novelty of this work lies in the analysis of the economy and relations between the United States, Canada and Mexico in the framework of the new agreement USMCA, which entered into force in 2020. The author analyzes the main clauses of the USMCA, which were changed or added according to current interests of the member states of this agreement, and also analyzes the first results of the updated trade agreement between the United States, Canada and Mexico.

Object of the thesis is the free trade zone agreement the USMCA.

Subject of the research is the influence of the USMCA on economy and relations between the US, Canada and Mexico.

The aim of the work is to identify the main trends in the implementation of the USMCA (and before it NAFTA) free trade agreement that contribute to the development of economy and relations between the US, Canada and Mexico.

The objectives of the research are:

1. Describe the history of the creation of NAFTA and results of the agreement for its member states.
2. Analyze former American President Donald Trump's policy towards U.S. main trade agreements.
3. Identify positive trends in the economy and relations between the U.S. and Canada under NAFTA and USMCA.
4. Identify positive trends in the economy and relations between the U.S. and Mexico under NAFTA and USMCA.
5. Reveal the negative influence of NAFTA and USMCA on the economy and relations between the U.S. and Canada.
6. Reveal the negative influence of NAFTA and USMCA on the economy and relations between the U.S. and Mexico.

According to the aim and objectives of the study, the following **methods** were identified:

- Content analysis to structure of information and examine of the meaning of the content of publications, reports and articles on the topic. The use of content analysis made it possible on the basis of identification of keywords of certain researches devoted to NAFTA and USMCA to analyze the presence, meanings and relationships of certain words. The author identifies the main pros and cons of the agreements with the help of the content analysis. Among the frequent advantages, the authors of these researches noted: digital trade, the growth of foreign direct investment in the USMCA countries, the growth of trade between members of this free trade zone. Among the disadvantages are: migration problems, the U.S. influence on its trading partners, trade disputes between the U.S. and Canada;
- Discourse analysis to characterize the relationship between the US, Canada and Mexico For example, in Chapter 1 we use quotes from former American President Donald Trump in which he used negative phrases to characterize the role of NAFTA for the economy of the U.S. On the contrary, Donald Trump gives a positive assessment of the USMCA for its member states;
- Comparative analysis to identify differences between some USMCA and NAFTA chapters. We compare the main differences between the updated USMCA chapters and NAFTA to determine what has changed for the U.S., Canada, and Mexico with the signing of the new trade agreement;
- Induction to identify common trends in the development of relations between countries participating in free trade zones, based on the example of USMCA. Induction allows us to reason about particular facts and come to general conclusions. We use the impact of USMCA on the economy and relations between the U.S., Canada and Mexico as a specific example to come to a general conclusion about all free-trade zones;
- Historical analysis to prescribe the contexts of the stated topic and historical narrative. Chapter 1 of this work mainly provides a historical description of the creation of NAFTA, how the NAFTA countries came to the signing of

this agreement, what were the preconditions for this, and what happened after the agreement entered into force.

The **chronological framework** of the work stretches from 1994 to the spring of 2022.

Literature and sources. The author has studied a wide range of literature and resources while writing this Master's thesis. The literature and source base of the research is determined by the aim and objectives set in it, as well as by its methodology. In the process of writing, literature and sources of various types were involved. They can be divided into several groups.

The first group is **primary sources**. We divided this group into several **subgroups**:

The first subgroup consists of international documents such as the North American Free Trade Agreement (NAFTA)¹ and the Agreement between the United States of America, the United Mexican States, and Canada (USMCA)².

The first subgroup occupies a significant place in our work, as we analyze some clauses of the NAFTA and USMCA agreements in order to understand what has changed with the signing of USMCA. These Agreements provide us with complete information on the creation of new trading conditions of the United States, Canada and Mexico with each other. The Agreements show us the priorities of the United States' policy towards its trade partners.

The second subgroup includes speeches by officials of the USMCA states.

This subgroup shows how USMCA (before it NAFTA) states officials speak of this Agreement. The statements of the former President of the United States

¹ North American Free Trade Agreement (NAFTA) // The International Trade Administration, U.S. Department of Commerce. URL: <https://www.trade.gov/north-american-free-trade-agreement-nafta> (date of the application 25.02.22)

² Agreement between the United States of America, the United Mexican States, and Canada 7/1/20 Text // United States-Mexico-Canada Agreement // Free Trade Agreements // Trade Agreements // Office of the United States Trade Representative // Executive office of the President of the United States. URL: <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement/agreement-between> (date of the application 25.05.22)

Donald Trump³ and the current President of the United States Joe Biden⁴ are significant for understanding the attitude of the United States to NAFTA and USMCA.

The third subgroup is statistical data. Data includes statistics as well as opinion polls (results). The author uses statistical data and results of opinion polls provided by Statista⁵. The research also contains statistics by World Integrated Trade Solution⁶, U.S. Bureau of Labor Statistics⁷, Macrotrends LLC⁸.

The second group is secondary sources. We divided this group into several subgroups:

The first subgroup consists of various reports and handbooks by research centers and think tanks. These materials contain a lot of analysis of the impact of NAFTA and USMCA on the economy and relations of the member countries of this free trade zone. This group contains contributions from the Carnegie Endowment for International Peace⁹, OECD¹⁰, Migration Policy Institute¹¹,

³ Richard Partington, Nafta: what is it and why is Trump trying to renegotiate? // Guardian News. 30 August 2018. URL: <https://www.theguardian.com/us-news/2018/aug/30/nafta-what-is-it-why-is-trump-trying-to-renegotiate> (date of the application 01.03.22)

⁴ S.A. Miller, Biden reluctantly admits Trump's USMCA 'better than NAFTA' // POLITICS // The Washington Times. 10 September 2020. URL: <https://www.washingtontimes.com/news/2020/sep/10/biden-reluctantly-admits-trumps-usmca-better-nafta/> (date of the application 17.05.22)

⁵ Foreign direct investment (FDI) from the U.S. into NAFTA 1994-2019 // Statista. Sep 23, 2021. URL: <https://www.statista.com/statistics/664711/foreign-direct-investment-from-us-into-nafta/> (date of the application 12.05.22);

Foreign direct investment (FDI) from Canada in the United States from 2000 to 2020 // Financial Instruments & Investments // Finance & Insurance // Statista. URL: <https://www.statista.com/statistics/188881/foreign-direct-investment-from-canada-in-the-united-states-since-1990/> (date of the application 23.04.22);

Overall, do you think the U.S.-Mexico-Canada Agreement will be good for the U.S. or bad for the U.S.? // Economy // Economy & Politics // Statista. URL: <https://www.statista.com/statistics/1123250/us-adults-opinion-usmca/> (date of the application 23.04.22);

North American Free Trade Agreement - Statistics & Facts // Economy // Economy & Politics // Statista. June 25, 2021. URL: https://www.statista.com/topics/3464/north-american-free-trade-agreement/#topicHeader_wrapper (date of the application 23.04.22)

⁶ Top 5 Export And Import Partners // United States Trade Summary 2019 Data // World Integrated Trade Solution. URL: <https://wits.worldbank.org/CountryProfile/en/Country/USA/Year/LTST/Summary> (date of the application 26.05.22)

⁷ United States Unemployment Rate // Trading Economics / U.S. Bureau of Labor Statistics. URL: <https://tradingeconomics.com/united-states/unemployment-rate> (date of the application 20.05.22)

⁸ Mexico Unemployment Rate 1991-2022 // Labor force // Unemployment rate // Macrotrends LLC. URL: <https://www.macrotrends.net/countries/MEX/mexico/unemployment-rate> (date of the application 01.05.22)

⁹ NAFTA's Promise and Reality, Lessons from Mexico for the Hemisphere / John J. Audley [et al.]. - Carnegie Endowment for International Peace, 2004. - P.6.

¹⁰ OECD Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones // Risk governance // Directorate for Public Governance // OECD. 2019-10-21. URL: <https://www.oecd.org/gov/risk/recommendation-enhancing-transparency-free-trade->

Congressional Research Service¹², Brookings Institution¹³, Council on Foreign Relations¹⁴.

The second subgroup is presented by media materials. The author analyzed the materials of such mass media as Independent¹⁵, USA Today¹⁶, Reuters¹⁷, Global News¹⁸, RBC¹⁹, RIA Novosti²⁰.

The third subgroup is encyclopedias, dictionaries, glossaries. We have taken definitions from the following sources: WTO²¹, Britannica²², The Canadian Encyclopedia²³.

[zones.htm#:~:text=There%20are%20more%20than%203%2C500,countries%20or%20economies%20in%201975](#)
(date of the application 20.02.22);

Handbook on Measuring Digital Trade, Version 1 by OECD, WTO and IMF // OECD. URL:

<https://www.oecd.org/sdd/its/Handbook-on-Measuring-Digital-Trade-Version-1.pdf> (date of the application 13.05.22)

¹¹ Emma Israel and Jeanne Batalova, Mexican Immigrants in the United States // Migration Information Source // Figure 4. Age Distribution of the U.S. Population by Origin, 2019 // Migration Policy Institute. 5 November 2020. URL: <https://www.migrationpolicy.org/article/mexican-immigrants-united-states-2019> (date of the application 15.05.22)

¹² M. Angeles Villarreal, Ian F. Fergusson, The North American Free Trade Agreement (NAFTA) // Congressional Research Service. 24 May 2017. URL: <https://sgp.fas.org/crs/row/R42965.pdf> (date of the application 20.02.22); U.S.-Mexico Trade Relations // Congressional Research Service. 26 April 2021. URL: <https://fas.org/sgp/crs/row/IF11175.pdf> (date of the application 13.05.22)

¹³ Darrell M. West and Christian Lansang, Global manufacturing scorecard: How the US compares to 18 other nations // Report // Changes In Regional Manufacturing Employment, 1970-2011 // The Brookings Institution. 10 July 2018. URL: <https://www.brookings.edu/research/global-manufacturing-scorecard-how-the-us-compares-to-18-other-nations/> (date of the application 15.05.22)

¹⁴ Andrew Chatzky, James McBride, and Mohammed Aly Sergie, NAFTA and the USMCA: Weighing the Impact of North American Trade // Council on Foreign Relations. URL: <https://www.cfr.org/backgrounder/naftas-economic-impact> (date of the application 27.04.22)

¹⁵ Eric Garcia, US Inflation rate jumps by 8.5 per cent in 40-year high in bad news for Biden // US politics // Americas // World // News // Independent. 12 April 2022. URL: <https://www.independent.co.uk/news/world/americas/us-politics/inflation-rate-us-today-biden-b2056302.html> (date of the application 15.05.22)

¹⁶ Thomas C. Frohlich and Liz Blossom, These countries produce the most CO2 emissions // USA Today. 14 July 2019. URL: <https://www.usatoday.com/story/money/2019/07/14/china-us-countries-that-produce-the-most-co-2-emissions/39548763/> (date of the application 04.05.22)

¹⁷ Emily Stephenson, Amanda Becker, Trump vows to reopen, or toss, NAFTA pact with Canada and Mexico // Reuters. 28 June 2016. URL: <https://www.reuters.com/article/us-usa-election-idUSKCN0ZE0Z0> (date of the application 28.05.22);

Michael Nienaber, Tens of thousands protest in Europe against Atlantic free trade deals // Business News // Reuters. 17 September 2016. URL: <https://www.reuters.com/article/us-eu-usa-ttip-idUSKCN11N0H6> (date of the application 01.03.22)

¹⁸ NAFTA deal reached: Canada, U.S., Mexico reach trade agreement under new name // Global News. 30 September 2018. URL: <https://globalnews.ca/news/4500068/nafta-2018-agreement-finalized/> (date of the application 03.03.22)

¹⁹ US lifts duties on steel and aluminum from Canada and Mexico // Politics // RBC. 20 May 2019. URL: <https://www.rbc.ru/rbcfreenews/5ce2248c9a794779bc5aef3> (date of the application 04.05.22)

²⁰ Senate of Mexico ratified Trans-Pacific Partnership agreement // RIA Novosti. 25 April 2018. URL: <https://ria.ru/20180425/1519346921.html> (date of the application 20.05.22)

²¹ Free trade area // Glossary // WTO. URL: https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm (date of the application 20.02.22)

The fourth subgroup is journal (scholarly) articles. This subgroup contains articles by the following authors: Jorge Carillo and Robert Zarate²⁴, Jonas Gamso and Robert Grosse²⁵, who describe the economic relations between the U.S. and Mexico before the signing of NAFTA.

A big contribution to the author's understanding of how NAFTA influenced the economy and relations between the U.S., Canada and Mexico was done by the following researchers: V.G. Klinov²⁶, Kimberly Amadeo²⁷, Carla A. Hills²⁸, Daniel Schwanen²⁹, Javier Mancera³⁰, Richard Partington³¹, Paul Cooney³².

In addition to NAFTA and USMCA, other trade agreements such as TTIP and TPP were mentioned by the author, the works of the following researchers helped

²² Free-trade zone // International trade // Britannica. URL: <https://www.britannica.com/topic/free-trade-zone> (date of the application 20.02.22);

Maquiladora // Britannica. URL: <https://www.britannica.com/technology/maquiladora> (date of the application 23.02.22);

Free Trade Area of the Americas // Proposed free-trade zone // Britannica. URL: <https://www.britannica.com/topic/free-trade> (date of the application 25.05.22)

²³ Canada–US Economic Relations // The Canadian Encyclopedia. URL: <https://www.thecanadianencyclopedia.ca/en/article/economic-canadian-american-relations> (date of the application 23.02.22)

²⁴ Carillo, J. Zarate R. The Evolution of Maquiladora Best Practices: 1965-2008 / J. Carillo, R. Zarate // Journal of Business Ethics. 2009. Vol. 88. P. 336.

²⁵ Gamso J., Grosse R., NAFTA 2.0 / J. Gamso, R. Grosse // Harvard International Review, Vol. 40, No. 1, 2019, P. 30-37.

²⁶ V.G. Klinov, Integration of the US and Canadian Economies: Results and Prospects // Economic Reviews. Pp. 75-84. URL: <https://mgimo.ru/upload/iblock/f4f/f4f20710c711b832ff999dddb228a6c4.pdf> (date of the application 25.02.22)

²⁷ Kimberly Amadeo, 6 Benefits of NAFTA // Trade Policy // World Economy // The Balance // December 26, 2020. URL: <https://www.thebalance.com/advantages-of-nafta-3306271> (date of the application 25.02.22);

Kimberly Amadeo, FTAA Agreement, Its Members, With Its Pros and Cons // Trade Policy // World Economy // The Balance. URL: <https://www.thebalance.com/ftaa-agreement-member-countries-pros-and-cons-3305577> (date of the application 25.05.22)

²⁸ Hills C. NAFTA's Economic Upsides: The View From the United States / C. Hills // Foreign Affairs, Vol. 93, No. 1, 2014, P.126-127.

²⁹ Schwanen D., NAFTA's Importance to Canada and What that Means for the United States / D. Schwanen // ADRIENNE ARSHT LATIN AMERICA CENTER // Atlantic Council. 2017. P. 8.

³⁰ Mancera J. Mexico without its North American Partners / J. Mancera // ADRIENNE ARSHT LATIN AMERICA CENTER // Atlantic Council. 2017. P.15-21.

³¹ Richard Partington, Nafta: what is it and why is Trump trying to renegotiate? // Guardian News. 30 August 2018. URL: <https://www.theguardian.com/us-news/2018/aug/30/nafta-what-is-it-why-is-trump-trying-to-renegotiate> (date of the application 01.03.22)

³² Cooney P. The Mexican Crisis and the Maquiladora Boom. A Paradox of Development or the Logic of Neoliberalism? / P. Cooney // LATIN AMERICAN PERSPECTIVES, Issue 118, Vol. 28 No. 3, 2001. P.73.

the author analyze these agreements: James McBride, Andrew Chatzky, and Anshu Siripurapu³³.

Major changes for the economy and relations between the U.S., Canada and Mexico after the signing of USMCA are being disclosed by the following researches: Katie Lobosco³⁴, Zhao X., Devadoss S., and Luckstead J.³⁵, Elena Komkova³⁶.

The third group is represented by Internet sources. It includes official website of the Government of Canada³⁷, official website of the Executive office of the President of the United States³⁸, official website of the United States government³⁹, official website of Executive office of the President of the United States⁴⁰, as well as official website of European Commission⁴¹.

³³ McBride J., Chatzky A., Siripurapu A., What's Next for the Trans-Pacific Partnership (TPP)? / J. McBride, A. Chatzky, A. Siripurapu // Council on Foreign Relations. 20 September 2021. URL: <https://www.cfr.org/background/what-trans-pacific-partnership-tpp> (date of the application 03.03.22)

³⁴ Lobosco K., NAFTA is officially gone. Here's what has and hasn't changed / K. Lobosco // CNN. 1 July 2020. URL: <https://edition.cnn.com/2020/07/01/politics/usmca-nafta-replacement-trump/index.html> (date of the application 22.05.22)

³⁵ Zhao X., Devadoss S., and Luckstead J., Impacts of U.S., Mexican, and Canadian Trade Agreement on Commodity and Labor Markets / X. Zhao, S. Devadoss, J. Luckstead // Journal of Agricultural and Applied Economics, Vol. 52, P.54.

³⁶ Komkova E., Turned NAFTA / E. Komkova // Analytical Articles // RIAC. 10 October 2018. URL: <https://russiancouncil.ru/analytics-and-comments/analytics/perelitsovanoe-nafta/> (date of the application 04.05.22);

Komkova E., USMCA instead of NAFTA / E. Komkova // World Economy and International Relations, 2019, vol. 63, no. 4, P.51-52.

³⁷ Canada-U.S. Free Trade Agreement // United States // Trade and investment agreements // Trade // Global Affairs Canada // official website of the Government of Canada. 2021-02-04. URL:

https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/united_states-etats_unis/fta-ale/background-contexte.aspx?lang=eng (date of the application 23.02.22);

North American Free Trade Agreement negotiations – Initial environmental assessment // I. Executive summary // Government of Canada. URL: https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cusma-aceum/initial_ea-ee_initiale.aspx?lang=eng (date of the application 04.05.22)

³⁸ United States Prevails in USMCA Dispute on Canadian Dairy Restrictions // Press Releases // Press Office // Office of the United States Trade Representative // Executive office of the President of the United States. URL: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2022/january/united-states-prevails-usmca-dispute-canadian-dairy-restrictions> (date of the application 02.05.22)

³⁹ Michael R. Pompeo, Secretary Of State, On the U.S. Withdrawal from the Paris Agreement // Press Statement // 2017-2021 Archived Content on an official website of the United States government. November 4, 2019. URL: <https://2017-2021.state.gov/on-the-u-s-withdrawal-from-the-paris-agreement/index.html> (date of the application 04.05.22)

⁴⁰ United States Prevails in USMCA Dispute on Canadian Dairy Restrictions // Press Releases // Press Office // Office of the United States Trade Representative // Executive office of the President of the United States. URL: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2022/january/united-states-prevails-usmca-dispute-canadian-dairy-restrictions> (date of the application 02.05.22)

⁴¹ Aim of tariff rate quotas // Tariff rate quotas // European Commission. URL: https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/market-measures/trqs_en (date of the application 02.05.22)

The structure of the study is determined by its aim and objectives. The work consists of an introduction, three chapters, a conclusion and bibliography.

Chapter 1. The history of the creation of a free-trade zone agreement between the USA, Canada and Mexico: from NAFTA to USMCA.

1.1. The history of the signing of NAFTA and the main results of this agreement.

A free-trade zone (FTZ) is an important part of the world economy, in the modern economy there is a trend towards an increase in the number of new free-trade zones. A free-trade zone means “*an area within which goods may be landed, handled, manufactured or reconfigured, and reexported without the intervention of the customs authorities.*”⁴² According to the information on the website of the World Trade Organization (WTO) an “FTZ” means “*Trade within the group is duty free but members set their own tariffs on imports from non-members (e.g. NAFTA).*”⁴³ Thus, members of a free trade zone can trade with each other without customs barriers, it has a beneficial effect on the economies of an FTZ member states.

According to the OECD, at the time of autumn 2019, there were more than 3,500 free-trade zones in the world.⁴⁴ Nowadays, discussions are ongoing about the pros and cons of such zones, the supporters of the FTZ, as well as their opponents, have various arguments about how these zones affect the economies of certain countries. In order to weigh all the pros and cons of free-trade zones, it is necessary to consider some of the most successful examples of FTZs. As an example of the most successful FTZ, the European Union is most often mentioned, which is not only an economic integration, but also a political one. The second most famous example of an FTZ is the USMCA, which replaced NAFTA in 2018 and which will be assessed by the author in this work.

⁴² Free-trade zone // International trade // Britannica. URL: <https://www.britannica.com/topic/free-trade-zone> (date of the application 20.02.22)

⁴³ Free trade area // Glossary // WTO. URL: https://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm (date of the application 20.02.22)

⁴⁴ OECD Recommendation on Countering Illicit Trade: Enhancing Transparency in Free Trade Zones // Risk governance // Directorate for Public Governance // OECD. 2019-10-21. URL: <https://www.oecd.org/gov/risk/recommendation-enhancing-transparency-free-trade-zones.htm#:~:text=There%20are%20more%20than%203%2C500,countries%20or%20economies%20in%201975> (date of the application 20.02.22)

North American Free Trade Agreement is an agreement on a free trade zone between the United States, Canada and Mexico, which was signed in 1992 and entered into force on January 1, 1994.⁴⁵ The purpose of this integration agreement was to strengthen trade relations between the participating countries by eliminating customs barriers. The results of this agreement were the stimulation of mutual trade and investment, the protection of intellectual property rights, the formation of mechanisms for fulfilling the obligations under this agreement, as well as the regulation of state interference in business. In addition, NAFTA was the second integration association after the EU in terms of economic and political development and influence on the world stage. Thus, the significance of NAFTA was noted by many experts both for the member countries of this agreement and for other FTZs, as it served as an example for the drafting of other trade agreements.

Despite the fact that NAFTA came into force in 1994, the preconditions for this integration were observed even earlier. In 1989, the Free Trade Area Agreement between the United States and Canada (FTA) came into force; later Mexico joined them, which resulted in the signing of NAFTA.⁴⁶ The signing of the FTA between the U.S. and Canada was preceded by economic reforms in Canada by Prime Minister Brian Mulroney, who prioritized the development of relations between Canada and the United States of America.⁴⁷ It can be noted that the current Canadian government continues the course of rapprochement with the United States, which USMCA, and before it NAFTA, contributes to. Even despite the disputes between the two countries within the free-trade area, which we will describe further, we can characterize their relations as friendly.

⁴⁵ M. Angeles Villarreal, Ian F. Fergusson, The North American Free Trade Agreement (NAFTA) // Congressional Research Service. 24 May 2017. P. 6-8. URL: <https://sgp.fas.org/crs/row/R42965.pdf> (date of the application 20.02.22)

⁴⁶ Canada-U.S. Free Trade Agreement // United States // Trade and investment agreements // Trade // Global Affairs Canada // official website of the Government of Canada. 2021-02-04. URL: https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/united_states-etats_unis/fta-ale/background-contexte.aspx?lang=eng (date of the application 23.02.22)

⁴⁷ Canada–US Economic Relations // The Canadian Encyclopedia. URL: <https://www.thecanadianencyclopedia.ca/en/article/economic-canadian-american-relations> (date of the application 23.02.22)

As for Mexico, it had economic problems in the 1980s and decided to liberalize its economy.⁴⁸ Mexico had to reverse its protectionism and start attracting foreign investment. In 1986, the country became a member of the General Agreement on Tariffs and Trade (GATT), which is the predecessor of the World Trade Organization (WTO).⁴⁹ In 1992, Mexico signed NAFTA with the U.S. and Canada, which was the next step in the liberalization of its economy. Mexico's entry into a trade partnership with the United States and Canada was a significant step not only for Mexico, but also for future Free Trade Areas (FTAs). For its time, NAFTA was significant, since in addition to the two developed countries, it included Mexico with a developing economy.

It was beneficial for the United States that Mexico joined the free trade agreement, since American business was interested in the cheap labor of this developing country. Even though American plants had already existed in Mexico, the signing of NAFTA significantly accelerated the process of transferring production from the United States to Mexico. American plants began to appear on the territory of Mexico in the 1960s, and then in the 1980s their number increased sharply due to relaxation of restrictions in the Mexican economy. This phenomenon gave birth to the term “maquiladora”.⁵⁰ The word “maquiladora” (in Spanish “*processing fee*”) means a tariff-exempt manufacturing plant that belongs to one country but is located in another country where labor costs cheaper.⁵¹ As a rule, this type of plants usually uses raw materials or parts of a product to assemble and export it. When Mexico joined NAFTA, there was a boom in the development of maquiladoras, which produced a huge amount of goods, almost all of which went to the United States. The influence of the maquiladora was so great that

⁴⁸ M. Angeles Villarreal, Ian F. Fergusson, The North American Free Trade Agreement (NAFTA) // Congressional Research Service. 24 May 2017. P.3-4. URL: <https://sgp.fas.org/crs/row/R42965.pdf> (date of the application 20.02.22)

⁴⁹ Ibid.

⁵⁰ Carillo, J. Zarate R. The Evolution of Maquiladora Best Practices: 1965-2008 / J. Carillo, R. Zarate // Journal of Business Ethics. 2009. Vol. 88. P. 336.

⁵¹ Maquiladora // Britannica. URL: <https://www.britannica.com/technology/maquiladora> (date of the application 23.02.22)

maquiladoras accounted for 48% of all exports of Mexico, and they contributed four out of every 10 manufacturing jobs in 2001.⁵²

The signing of the NAFTA agreement was so successful that the U.S. decided to create a free-trade zone throughout the Western Hemisphere. The new trade agreement had to be called the Free Trade Area of the Americas (FTAA) and include countries in the Western Hemisphere and of the Caribbean, except Cuba.⁵³ Negotiations on the FTAA began in 1994, and Parties were supposed to sign it in 2005, but the negotiations were cancelled in 2004.⁵⁴

Negotiations on the creation of the FTAA were cancelled due to the unwillingness of some Latin countries to join this free-trade zone. Instead of developing multilateral cooperation with Latin American countries, the United States decided to develop bilateral relations with each South American country and integration association. The plan of the United States to create a free-trade zone in North and South Americas faced a number of problems. On the example of the FTAA, we see that the countries of South America were concerned about the influence of the United States on their economies within the common free-trade zone. For example, Argentina, Venezuela and Brazil had disagreements with the United States about their role in the integration bloc, as they wanted to be more independent from the U.S.⁵⁵ They did not like that the trade agreement included more than they wanted, for example, issues about intellectual property, dispute settlement, etc.⁵⁶ In addition, Latin American countries feared that the FTAA could have deprived the significance of such associations as Mercosur, the Andean

⁵² Carillo, J. Zarate R. The Evolution of Maquiladora Best Practices: 1965-2008 / J. Carillo, R. Zarate // Journal of Business Ethics. 2009. Vol. 88. P. 337.

⁵³ Free Trade Area of the Americas // Proposed free-trade zone // Britannica. URL: <https://www.britannica.com/topic/free-trade> (date of the application 25.05.22)

⁵⁴ Kimberly Amadeo, FTAA Agreement, Its Members, With Its Pros and Cons // Trade Policy // World Economy // The Balance. URL: <https://www.thebalance.com/ftaa-agreement-member-countries-pros-and-cons-3305577> (date of the application 25.05.22)

⁵⁵ Free Trade Area of the Americas // Proposed free-trade zone // Britannica. URL: <https://www.britannica.com/topic/free-trade> (date of the application 25.05.22)

⁵⁶ Ibid.

Community and the Common Market of Central America.⁵⁷ And, finally, the governments of Latin American countries were worried that they would not be able to protect local small entrepreneurs, for example, farmers.⁵⁸ Local family farmers in Latin America would not be able to compete with the flood of cheap American food, which can lead them to bankruptcy.⁵⁹ Thus, compared with NAFTA, the FTAA turned out to be a failed U.S. plan to create a free-trade zone of the Americas. As the result, the United States focused on its more successful agreement, NAFTA.

The signing of NAFTA was an important event in relations between the U.S., Canada and Mexico. At the beginning of 2000, the share of this free-trade zone in world trade was second only after the EU, which had a positive effect not only on the relations of the members of this agreement, but also on their position in world trade.⁶⁰

The NAFTA agreement provided for the easing of restrictions on trade between its member countries and the creation of favorable conditions in this free-trade zone for investors. Among other things, in the agreement there were Articles devoted to Intellectual property rights (IPR), agricultural products, investments, environmental issues, labor issues, services, e-commerce, etc. Despite the fact that Canada, in accordance with the agreement, agreed to a small increase in agricultural imports from the United States and Mexico, during the existence of NAFTA, various disputes arose between the countries over trade in products.⁶¹ These disputes can be explained by the fact that NAFTA, as well as the FTA

⁵⁷ Kimberly Amadeo, FTAA Agreement, Its Members, With Its Pros and Cons // Trade Policy // World Economy // The Balance. URL: <https://www.thebalance.com/ftaa-agreement-member-countries-pros-and-cons-3305577> (date of the application 25.05.22)

⁵⁸ Ibid.

⁵⁹ Ibid.

⁶⁰ V.G. Klinov, Integration of the US and Canadian Economies: Results and Prospects // Economic Reviews. Pp. 75-84. URL: <https://mgimo.ru/upload/iblock/f4f/f4f20710c711b832ff999dddb228a6c4.pdf> (date of the application 25.02.22)

⁶¹ M. Angeles Villarreal, Ian F. Fergusson, The North American Free Trade Agreement (NAFTA) // Congressional Research Service. 24 May 2017. P.7. URL: <https://sgp.fas.org/crs/row/R42965.pdf> (date of the application 25.02.22)

between the US and Canada of 1989, retained means of protectionism, such as anti-dumping agents and other protective measures.⁶²

Many factors can affect the level of trade and economic development of any country, but the entry of a country into a free-trade zone can stimulate its economy. But at the same time, an FTZ carries certain risks that should be taken into account by countries planning to enter into an FTZ. Further, we look at the main results of NAFTA to show how much economy and relations between the United States, Canada and Mexico has changed over the entire existence of this free-trade agreement.

The result of NAFTA was the elimination of trade duties on various products between the member countries of the agreement. More illustrative examples include tariff cuts on agricultural trade between the US and Mexico. Prior to NAFTA, some of Mexico's highest duties were on imports of agricultural products from the United States, which were about 11%.⁶³ In general, despite the economic reforms in Mexico in the 1980s aimed at liberalization of its economy, the country kept quite high duties on imported goods, in particular from the United States and Canada, which changed only after the entry into force of NAFTA in 1994.⁶⁴ On the contrary, in 1993, 50% of goods imported into the United States from Mexico were not subject to duties.⁶⁵ At the same time, the average Mexican duty on all US imports was about 10%.⁶⁶

Thus, before NAFTA, Mexico maintained high duties on imports from the US and Canada, while the latter two did not have such high duties on goods from Mexico, which created a disproportionate trade between the countries. By signing NAFTA, Mexico gradually began to reduce duties on imports of American and Canadian goods.

⁶² M. Angeles Villarreal, Ian F. Fergusson, The North American Free Trade Agreement (NAFTA) // Congressional Research Service. 24 May 2017. P.7. URL: <https://sgp.fas.org/crs/row/R42965.pdf> (date of the application 25.02.22)

⁶³ Ibid.

⁶⁴ Ibid. P.6-7.

⁶⁵ Ibid.

⁶⁶ Ibid.

The increase in foreign direct investment (FDI) within this free-trade area is one of the remarkable results of NAFTA. In 1994, foreign direct investment from the United States to Canada and Mexico amounted to 74.44 billion U.S. dollars and 16.97 billion U.S. dollars, respectively.⁶⁷ In 2019, the same figures reached 402.26 billion U.S. dollars of direct investment from the U.S. in Canada and 100.89 billion U.S. dollars of FDI from the U.S. in Mexico.⁶⁸

In addition to removing tariff barriers and increasing direct investment between NAFTA countries, other results of this agreement can be noted. Trade between the US, Canada and Mexico has grown from 290 billion U.S. dollars (in 1993) to 1.23 trillion U.S. dollars (in 2019).⁶⁹ Thus, the NAFTA agreement contributed to the economic integration and development of the member countries. The agreement implies not only the acceleration of trade, production and investment between the countries, but also deeper integration. Some clauses of the agreement imply the protection of intellectual rights, guarantees to U.S. investors of equal standing with local investors in Canada and Mexico; the agreement also touched upon labor, environmental and other issues, which will be discussed further in this work.⁷⁰

1.2. The revision by the United States of trade agreements under President Donald Trump.

The existence of NAFTA, which lasted more than 20 years, brought the economic development to its member countries, as well as increased their competitiveness in the world market. However, despite all the advantages of this agreement, some politicians began to talk about the irrelevance of the North American Free Trade Agreement. The agreement was criticized due to the decrease

⁶⁷ Foreign direct investment (FDI) from the U.S. into NAFTA 1994-2019 // Statista. Sep 23, 2021. URL: <https://www.statista.com/statistics/664711/foreign-direct-investment-from-us-into-nafta/> (date of the application 12.05.22)

⁶⁸ Ibid.

⁶⁹ Kimberly Amadeo, 6 Benefits of NAFTA // Trade Policy // World Economy // The Balance // December 26, 2020. URL: <https://www.thebalance.com/advantages-of-nafta-3306271> (date of the application 25.02.22)

⁷⁰ North American Free Trade Agreement (NAFTA) // The International Trade Administration, U.S. Department of Commerce. URL: <https://www.trade.gov/north-american-free-trade-agreement-nafta> (date of the application 25.02.22)

in American production, and the loss of jobs; critics also noted the negative consequences of this agreement for the environment, as well as the worsening conditions for workers. One such well-known politician who spoke about the need to revise NAFTA was former 45th U.S. President Donald Trump.

In 2016, during the U.S. presidential race, Trump promised to revise NAFTA, as it was not beneficial to the United States.⁷¹ In general, the presidency of Donald Trump was remarkable for his decision to develop bilateral relations of the U.S. with other countries instead of multilateral ones. During his presidential campaign, Trump promised to revise NAFTA in favor of the US in order to lower unemployment in the country.⁷² He made no secret of his dissatisfaction with NAFTA, calling it *“the worst trade deal in the history of the country.”*⁷³ Most of Trump's dissatisfaction was attributed to the decline in U.S. manufacturing, especially one of the vulnerable industries, he considered the automotive industry. Thus, he decided to revise trade agreements, both existing (NAFTA and Trans-Pacific Partnership) and planned (Transatlantic Trade and Investment Partnership). So, the Transatlantic Trade and Investment Partnership (TTIP) is a draft agreement on the creation of an FTZ between the U.S. and the European Union, which was supposed to further stimulate trade between the actors. Negotiations on signing the TTIP took place from 2013 to 2016.⁷⁴ The administration of the former U.S. President Barack Obama planned to sign this agreement before the end of his presidency. However, the TTIP negotiations were interrupted, as the EU countries were not satisfied with the terms of the agreement, and all further attempts to sign it were stopped both by the EU countries and by the next U.S. President D. Trump after B. Obama. Even ordinary people in the European Union protested against the signing of the TTIP by the European Union, as they feared the increase in the

⁷¹ Emily Stephenson, Amanda Becker, Trump vows to reopen, or toss, NAFTA pact with Canada and Mexico // Reuters. 28 June 2016. URL: <https://www.reuters.com/article/us-usa-election-idUSKCN0ZE0Z0> (date of the application 28.05.22)

⁷² Ibid.

⁷³ Richard Partington, Nafta: what is it and why is Trump trying to renegotiate? // Guardian News. 30 August 2018. URL: <https://www.theguardian.com/us-news/2018/aug/30/nafta-what-is-it-why-is-trump-trying-to-renegotiate> (date of the application 01.03.22)

⁷⁴ EU negotiating texts in TTIP // News archive // European Commission. 2016. 14 July. URL: <https://trade.ec.europa.eu/doclib/press/index.cfm?id=1230> (date of the application 01.03.22)

influence of TNCs, the cause of environmental problems and lowering of product quality standards, etc.⁷⁵

Concerning the other two USMCA countries, Canada signed a free trade agreement with the EU in 2013, and Mexico signed a similar agreement in 2000.⁷⁶ If the plan of the US and the EU to create the Transatlantic Trade and Investment Partnership were implemented, it would significantly stimulate trade between the parties. However, due to the scale of the project, the parties could not agree and implement their plans.

Another trade agreement, the Trans-Pacific Partnership, was signed by 12 countries in the Asia-Pacific region, including the United States in 2016.⁷⁷ However, already in 2017, President Donald Trump announced the U.S. withdrawal from this agreement, which was perceived by various experts ambiguously.⁷⁸ On the one hand, together with the United States, TPP would account for 40% of the world economy, which could further stimulate the economies of the TPP countries.⁷⁹ On the other hand, Trump was very concerned about American production, he feared that the new trade agreement would further aggravate the situation. Thus, following this fear for the American economy, which depends on production, Trump withdrew from the TPP and decided to concentrate on NAFTA's revision.

Despite the fact that NAFTA was initially a controversial agreement, we have to note that it brought many benefits to its countries. This is why U.S. partners Canada and Mexico were concerned about Trump's desire to renegotiate the trade agreement. The 45th US President wanted to renegotiate the agreement in favor of the United States. Among the conditions of the American side was an increase in

⁷⁵ Michael Nienaber, Tens of thousands protest in Europe against Atlantic free trade deals // Business News // Reuters. 17 September 2016. URL: <https://www.reuters.com/article/us-eu-usa-ttip-idUSKCN11N0H6> (date of the application 01.03.22)

⁷⁶ Hills C. NAFTAs Economic Upsides: The View From the United States / C. Hills // Foreign Affairs, Vol. 93, No. 1, 2014, P.126-127.

⁷⁷ McBride J., Chatzky A., Siripurapu A., What's Next for the Trans-Pacific Partnership (TPP)? / J. McBride, A. Chatzky, A. Siripurapu // Council on Foreign Relations. 20 September 2021. URL: <https://www.cfr.org/backgrounder/what-trans-pacific-partnership-tpp> (date of the application 03.03.22)

⁷⁸ Ibid.

⁷⁹ Ibid.

production in the United States of America, for example, in the new agreement there were conditions for car manufacturers to produce at least 75% of a vehicle's value in North America, instead of the prior car production in 62.5%.⁸⁰ Trump was dissatisfied with the transfer of American production not only to Mexico, but also to other developing countries, so he considered this condition beneficial for the U.S. economy.

As for Canada and Mexico, they feared that the revision of NAFTA might not take into account the interests of both countries. For example, Justin Trudeau, Prime Minister of Canada, made it clear to Trump that Canada would be better off without a deal at all if the terms of the new deal would have been unfavorable for his country.⁸¹ The reaction of the representatives of Mexico was similar to the Canadian ones, they also noted that they could have refused to sign a new agreement if it would not meet the interests of Mexico. In addition, the Mexican side wanted to expand the list of issues during the negotiations on the revision of NAFTA, adding to the discussion the topics of migration, drug control and security issues.⁸²

Despite fears from Canada and Mexico, NAFTA was revised, and the new agreement was signed by all three countries. The American president gave a very positive assessment of this event: *“Late last night, our deadline, we reached a wonderful new Trade Deal with Canada, to be added into the deal already reached with Mexico. The new name will be The United States Mexico Canada Agreement, or USMCA. It is a great deal for all three countries, solves the many...”*⁸³ New trade agreement between the USA, Mexico and Canada, USMCA, was signed in 2018 by American President Donald Trump, Canadian Prime Minister Justin

⁸⁰ Richard Partington, *Nafta: what is it and why is Trump trying to renegotiate?* // Guardian News. 30 August 2018. URL: <https://www.theguardian.com/us-news/2018/aug/30/nafta-what-is-it-why-is-trump-trying-to-renegotiate> (date of the application 03.03.22)

⁸¹ Ibid.

⁸² M. Angeles Villarreal, Ian F. Fergusson, *The North American Free Trade Agreement (NAFTA)* // Congressional Research Service. 24 May 2017. P.7. URL: <https://sgp.fas.org/crs/row/R42965.pdf> (date of the application 25.02.22)

⁸³ NAFTA deal reached: Canada, U.S., Mexico reach trade agreement under new name // Global News. 30 September 2018. URL: <https://globalnews.ca/news/4500068/nafta-2018-agreement-finalized/> (date of the application 03.03.22)

Trudeau and Mexican leader Enrique Peña Nieto, and already in 2020 the agreement entered into force.⁸⁴

The USMCA contains 34 chapters when its predecessor, NAFTA, contained 22 chapters.⁸⁵ The new agreement does not differ much from the previous one, although it contains 12 new chapters, and some chapters have been modernized in accordance with the 21st century. Particular emphasis was placed on the following sectors of the economy: agricultural products, automotive production, digital data, intellectual property, labor, textiles and apparel, and investment.⁸⁶

Trump insisted that under the new trade agreement automobile production has to be accounted for at least 75% of a vehicle's value in North America, while the same figure for production under NAFTA was 62.5%.⁸⁷ In terms of agricultural products, Canada and Mexico have already been large consumers of American agricultural products under NAFTA. The USMCA will further contribute to the development of the agricultural sector of the economies of its three countries. Under the new agreement, Canada must open its market to U.S. dairy and eggs, and, at the same time, the U.S. will allow more Canadian dairy products to enter the U.S. market, as well as peanuts and sugar.⁸⁸ According to forecasts, as a result of the signing of USMCA, tariffs between the U.S., Canada and Mexico are expected to decrease by 80.42% on average.⁸⁹

Many experts assess NAFTA as ambiguous, since the agreement had both positive and negative consequences for each of the parties, which will be discussed

⁸⁴ NAFTA deal reached: Canada, U.S., Mexico reach trade agreement under new name // Global News. 30 September 2018. URL: <https://globalnews.ca/news/4500068/nafta-2018-agreement-finalized/> (date of the application 03.03.22)

⁸⁵ Explore key changes from NAFTA to CUSMA for importers and exporters // Explore key changes from NAFTA to CUSMA for importers and exporters // Canada-United States-Mexico Agreement (CUSMA) // Government of Canada. URL: https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cusma-aceum/nafta-cusma_aceum-alena.aspx?lang=eng (date of the application 03.03.22)

⁸⁶ Ibid.

⁸⁷ Richard Partington, Nafta: what is it and why is Trump trying to renegotiate? // Guardian News. 30 August 2018. URL: <https://www.theguardian.com/us-news/2018/aug/30/nafta-what-is-it-why-is-trump-trying-to-renegotiate> (date of the application 03.03.22)

⁸⁸ Lobosco K., NAFTA is officially gone. Here's what has and hasn't changed / K. Lobosco // CNN. 1 July 2020. URL: <https://edition.cnn.com/2020/07/01/politics/usmca-nafta-replacement-trump/index.html> (date of the application 22.05.22)

⁸⁹ Zhao X., Devadoss S., and Luckstead J. Impacts of U.S., Mexican, and Canadian Trade Agreement on Commodity and Labor Markets / X. Zhao, S. Devadoss, J. Luckstead // Journal of Agricultural and Applied Economics, Vol. 52, P.54.

further in this work. It is worth noting that even though Canada and Mexico expressed their concern about the revision of NAFTA, they did not want to end their partnership with the United States within the free-trade zone. However, it was undesirable for them to sign an agreement on unfavorable terms. So, assuming that Canada and Mexico did sign a new trade deal with the U.S.; it means they are still interested in free-trade zone with each other. When signing the new trade agreement, the parties expressed their positive forecasts about USMCA. Despite plans to create free-trade zones between the U.S. and the EU, as well as between the U.S. and the countries of Latin America, the United States has not been able to bring these plans to life. Thus, USMCA remains the major trade agreement of the United States, which is why the author decided to choose USMCA.

Chapter 2. Positive influence of NAFTA and USMCA on the economy and relations between their member states

2.1. Positive influence of NAFTA and USMCA on the economy and relations between the United States and Canada

To understand how the free-trade zone between the U.S., Canada and Mexico affects their economies and relations, it is necessary to analyze the pros and cons of this FTZ. Joining a free-trade zone requires any country to correspond to its rules, so countries must weigh the pros and cons if they want to join an FTZ. Using the example of NAFTA and the USMCA, we will consider what advantages and disadvantages countries may have if they join an FTZ.

Canada is one of the top three trading partners of the United States, so despite the concerns of the Canadian side about the revision of NAFTA, it did not want to be without the trade agreement with the United States at all.⁹⁰ The new USMCA agreement is expected to continue this trend in the development of the economy and relations of these two countries, as the United States and Canada have been developing relations with each other for many years. Some of the most notable categories of exports and imports between the US and Canada are: meat, dairy products, vegetables, vehicles, machinery, electrical machinery, mineral fuels, plastics, and services.⁹¹ Merchandise exports from Canada to the U.S. approximately tripled since 1990 to 2016: from 100 billion U.S. dollars in 1990 to over 350 billion U.S. dollars in 2016.⁹² Thus, the trade agreement contributed to the development of Canadian production, and the current U.S. market is a priority for Canada. Merchandise exports from the U.S. to Canada have roughly the same

⁹⁰ Top 5 Export And Import Partners // United States Trade Summary 2019 Data // World Integrated Trade Solution. URL: <https://wits.worldbank.org/CountryProfile/en/Country/USA/Year/LTST/Summary> (date of the application 26.05.22)

⁹¹ U.S.-Canada Trade Facts // Canada // Western Hemisphere // Office of the United States Trade Representative // Executive office of the President of the United States. URL: <https://ustr.gov/countries-regions/americas/canada#:~:text=U.S.%20goods%20and%20services%20trade,was%20%242.4%20billion%20in%202019.&text=The%20U.S.%20goods%20trade%20deficit%20with%20Canada%20was%20%2426.8%20billion%20in%202019> (date of the application 26.05.22)

⁹² Schwanen D., NAFTA's Importance to Canada and What that Means for the United States / D. Schwanen // ADRIENNE ARSHT LATIN AMERICA CENTER // Atlantic Council. 2017. P. 8.

figures: the United States exported goods to Canada worth about 100 billion U.S. dollars in 1990, and in 2016 this figure was almost 300 billion U.S. dollars.⁹³ Trade between the U.S. and Canada has increased significantly since the signing of NAFTA, and USMCA is expected to have the same effect from the mutual trade of these two countries. The same cannot be said about merchandise trade between Canada and Mexico: before the signing of NAFTA and after this, merchandise exports as well as imports between them did not even reach 25 billion U.S. dollars from 1990 to 2016.⁹⁴

Exports and imports of goods between the United States and Canada are balanced: in mutual trade in goods. In terms of Foreign Direct Investment (FDI) between the U.S. and Canada, FDI from Canada to the U.S. has increased markedly since Trump's announcement of the revision of NAFTA. If in 2016, when Donald Trump was just running for U.S. President, FDI from Canada to the U.S. amounted to (on a historical-cost basis) 344.93 billion U.S. dollars, then already in 2020 Canadian investments in the country amounted to (on a historical-cost basis) 490.77 billion U.S. dollars.⁹⁵ A large number of factors can affect the investment attractiveness of a country, so it is difficult to be sure that only one factor influenced this. However, according to data on Canadian investments in the United States, we can notice a correlation between the growth of the investments and Trump's announcement of his intentions to revise NAFTA. The new Agreement did not frighten Canadian investors, which indicates their confidence that the USMCA agreement will contribute to the further development of relations between the U.S. and Canada. This assumption is also confirmed by a public poll of Canadian citizens over 18 years old, where 44% of respondents answered that

⁹³ Schwanen D., NAFTA's Importance to Canada and What that Means for the United States / D. Schwanen // ADRIENNE ARSHT LATIN AMERICA CENTER // Atlantic Council. 2017. P. 8.

⁹⁴ Ibid. P. 7.

⁹⁵ Foreign direct investment (FDI) from Canada in the United States from 2000 to 2020 // Financial Instruments & Investments // Finance & Insurance // Statista. URL: <https://www.statista.com/statistics/188881/foreign-direct-investment-from-canada-in-the-united-states-since-1990/> (date of the application 23.04.22)

NAFTA had a positive impact on Canada, and 31% of respondents wanted a new, more expanded trade agreement between the U.S., Canada and Mexico.⁹⁶

As for public opinion in the United States, a similar public opinion poll in 2017 showed that 46% of American citizens assessed the impact of NAFTA on the United States rather negatively.⁹⁷ In 2020, a public survey showed that 80% of American respondents over 18 believed that the new USMCA trade agreement would positively affect the United States.⁹⁸ The current U.S. President Joe Biden also gave a positive assessment of the new trade agreement, saying that USMCA is “better than NAFTA”.⁹⁹ Despite his differences in political views with Trump, Biden agrees that NAFTA should have been revised, which shows the attitude of the American political establishment towards the Agreement.

The new USMCA agreement is relevant for the 21st century not only with the revised chapters of NAFTA, but also with new chapters that correspond to this century. One of the new chapters is the chapter on “Digital trade”. NAFTA did not have a chapter devoted to digital trade, since at the time of the signing of the agreement in 1992, digital trade was not an influential part of the global economy. According to the Handbook on Measuring Digital Trade, Version 1 by OECD, WTO and IMF, E-commerce entered the global trade policy agenda only in 1998.¹⁰⁰ At the time of the signing of the USMCA in 2018, digital trade was an integral part of people's lives and the global economy.

USMCA countries such as the United States and Canada are highly developed in the field of digital trade, with the exception of Mexico, which can be seen from the data of the study on the digital competitiveness of countries of the International

⁹⁶ North American Free Trade Agreement - Statistics & Facts // Economy // Economy & Politics // Statista. June 25, 2021. URL: https://www.statista.com/topics/3464/north-american-free-trade-agreement/#topicHeader_wrapper (date of the application 23.04.22)

⁹⁷ Ibid.

⁹⁸ Overall, do you think the U.S.-Mexico-Canada Agreement will be good for the U.S. or bad for the U.S.? // Economy // Economy & Politics // Statista. URL: <https://www.statista.com/statistics/1123250/us-adults-opinion-usmca/> (date of the application 23.04.22)

⁹⁹ S.A. Miller, Biden reluctantly admits Trump's USMCA 'better than NAFTA' // POLITICS // The Washington Times. 10 September 2020. URL: <https://www.washingtontimes.com/news/2020/sep/10/biden-reluctantly-admits-trumps-usmca-better-nafta/> (date of the application 17.05.22)

¹⁰⁰ Handbook on Measuring Digital Trade, Version 1 by OECD, WTO and IMF // OECD. URL: <https://www.oecd.org/sdd/its/Handbook-on-Measuring-Digital-Trade-Version-1.pdf> (date of the application 13.05.22)

Institute for Management Development (IMD). Digital Competitiveness of the United States in 2021 ranked 1st according to the International Institute for Management Development, Canada ranked 13th in the same rating.¹⁰¹ Mexico is the only USMCA country not ranked in the top 20 in this ranking. However, this does not mean that the chapter on “Digital trade” will not be relevant for Mexico, since digitalization is rapidly developing and becoming an integral part of both the economy and politics of the whole world, as well as of individual countries, including Mexico.

The new rules established by Chapter 19, “Digital trade”, of the USMCA agreement are aimed at protecting the rights of both consumers of digital products and those who provide these products. Under this chapter, digital products such as e-books, videos, music, software and games are not subjects to customs duties and other discriminatory measures.¹⁰² The agreement also facilitates digital transactions by allowing the use of electronic signatures and electronic authentication.¹⁰³ At the same time, the Agreement guarantees the protection of the rights of consumers of digital products, as well as the protection of their confidential information.¹⁰⁴ Chapter 19 promotes cooperation between USMCA countries in the fight against cybercrime.¹⁰⁵ The Agreement refers to the desire of each of the Parties to open government information to the public, which opens up new opportunities for economic and social cooperation, as well as business opportunities for all members of the USMCA.¹⁰⁶ New trade agreement forms common laws and favorable conditions for digital trade in the U.S., Canada and Mexico. This chapter is relevant for the 21st century, as more and more people, governments, organizations

¹⁰¹ China and US pursuing markedly different digital transformations // News stories // IMD. URL: <https://www.imd.org/news/updates/China-US-pursuing-markedly-different-but-equally-competitive-digital-transformations-WCC/> (date of the application 25.04.22)

¹⁰² Chapter 19 // Digital // Trade Agreement between the United States of America, the United Mexican States, and Canada 7/1/20. Pp. 19.1-19.10. URL: <https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/19-Digital-Trade.pdf> (date of the application 13.05.22)

¹⁰³ Ibid.

¹⁰⁴ Ibid.

¹⁰⁵ Ibid.

¹⁰⁶ Ibid.

and businesses, including small and medium-sized businesses, use the Internet to consume or provide digital products.

Since small business was mentioned, this topic is also important in the framework of the signing of the new trade agreement. Indeed, Canada puts a lot of emphasis on small business development. With the advent of the Coronavirus, the issue of protecting small businesses has become relevant in any country and in Canada too. Canada's official position on the USMCA is positive on this issue. The Canadian Minister of International Trade, Export Promotion, Small Business and Economic Development Mary Ng commented the importance of USMCA for small business in Canada: *“As a small-business-friendly government, we’re working hard to make it easier for Canadians to do business here at home and abroad. The world wants to buy Canadian goods and services, and the USMCA supports opportunities for small and medium-sized businesses to access the North American market. By supporting small businesses in their efforts to export, we’re helping strengthen the economy and grow the middle class.”*¹⁰⁷ The Canadian Minister of Foreign Affairs Chrystia Freeland also expressed her good expectations of the agreement: *“The USMCA is good for Canada’s economy and good for Canada’s middle-class workers and families. It addresses modern-day trade issues and supports prosperity for Canadians by ensuring that our businesses, entrepreneurs, workers, ranchers, farmers and fishers continue to have preferential access to our largest market.”*¹⁰⁸ Based on the official position of the Canadian government, we can conclude that Canada expects USMCA to be better than NAFTA, as it has been revised for modern needs of members of this free-trade zone. The Coronavirus pandemic has shown that the governments of different countries, especially developed ones, are ready to protect medium and small businesses, since in our time such businesses are an important part for their economies and for the well-being of their population.

¹⁰⁷ USMCA is good for Canada and good for small business, Minister Ng tells audience in Guelph // Innovation, Science and Economic Development Canada // News release // Government of Canada. 26 October 2018. URL: <https://www.canada.ca/en/innovation-science-economic-development/news/2018/10/usmca-is-good-for-canada-and-good-for-small-business-minister-ng-tells-audience-in-guelph.html> (date of the application 28.05.22)

¹⁰⁸ Ibid.

Another important USMCA chapter for US-Canada relations is the chapter devoted to the environment. For the United States, this is a big step towards the implementation of the “green” agenda. USMCA's predecessor, NAFTA, did not have a chapter about the environment, but it had an additional chapter to the main text. The negative impact of NAFTA on the environment, which we evaluate in the next chapter, may have influenced the countries that signed the Agreement that USMCA contains a chapter devoted to this problem.

The USMCA requires the U.S., Canada, and Mexico not to relax their Environmental Laws to accelerate trade or attract investors.¹⁰⁹ The Parties are also required to sign various multilateral environmental agreements and the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES).¹¹⁰ The Agreement contains more strict obligations for the Parties to combat poaching. The USMCA prohibits Parties from providing subsidies to vessels or operators that are involved in illegal fishing.¹¹¹ In addition, USMCA prohibits shark finning and commercial whaling. Moreover, the Agreement contains stricter rules aimed at protecting air and water from pollution.¹¹²

Summing up, NAFTA and USMCA play a more positive role in Canadian-American relations. Cons of NAFTA were taken into account in the preparation of the new trade agreement, for example, the article on environmental protection, which is now included in USMCA, seems to be very important for current relations between the United States and Canada. Also, as we can see, digital trade has been growing in recent years, which is why the USMCA article on digital trade seems relevant to us for such countries developed in digital trade as the USA and Canada. It is expected that under USMCA the positive trend of growth in mutual trade and investment between the US and Canada, which was facilitated by NAFTA, will continue.

¹⁰⁹ Chapter 24 // Environment // Trade Agreement between the United States of America, the United Mexican States, and Canada 7/1/20. Pp. 24.1-24.29. URL: [https://ustr.gov/sites/default/files/IssueAreas/Environment/USMCA Environment Chapter 24.pdf](https://ustr.gov/sites/default/files/IssueAreas/Environment/USMCA%20Environment%20Chapter%2024.pdf) (date of the application 23.05.22)

¹¹⁰ Ibid.

¹¹¹ Ibid.

¹¹² Ibid.

2.2. Positive influence of NAFTA and USMCA on the economy and relations between the United States and Mexico

Along with growing globalization, the international division of labour has become an integral part of the world economy. Developed countries are moving their production to developing countries with cheaper land and labour, and the U.S.-Mexico trade tandem is a good example of the international division of labour. The NAFTA agreement, and now its successor USMCA, had a positive impact not only on trade between the U.S. and Mexico, but also contributed to an increase in mutual investment and other things.

As noted earlier in the first chapter of this work, in the 1980s, Mexico implemented a series of reforms to liberalize the economy due to its poor condition. The reforms were supposed to revive the country's economy by attracting foreign investors. An important step for Mexico was the signing of a trade agreement with the United States and Canada, which in 1994 resulted in NAFTA. By joining NAFTA, Mexico improved its investment climate, as it committed to comply with the rules of the Agreement, and the duty-free regime allowed more trade with such developed countries like the United States of America and Canada.

If we look at current economic relations of the US and Mexico, we can notice that Mexico is the second trade partner of the US.¹¹³ Many experts argue that NAFTA has contributed to the growth of trade in goods and services between the United States and Mexico.¹¹⁴ For better understanding of NAFTA and USMCA influence on trade relations of the U.S. and Mexico, we provide some data of U.S.-Mexico merchandise exports and imports (see figure 1, p.32). Pre-NAFTA figures show that U.S.-Mexico merchandise trade is too low compared to 2018, 2019 and

¹¹³ U.S.-Mexico Trade Relations // Congressional Research Service. 26 April 2021. URL: <https://fas.org/sgp/crs/row/IF11175.pdf> (date of the application 13.05.22)

¹¹⁴ Mancera J. Mexico without its North American Partners / J. Mancera // ADRIENNE ARSHT LATIN AMERICA CENTER // Atlantic Council. 2017. P. 15-21.

2020 years.¹¹⁵ In 1993 U.S. merchandise exports to Mexico amounted to 41.6 billion U.S. dollars, and in 2018 amounted to 266 billion U.S. dollars, in 2019 - 256.6 billion U.S. dollars, in 2020 - 212.7 billion U.S. dollars.¹¹⁶ U.S. merchandise imports from Mexico in 1993 was 39.9 billion U.S. dollars, in 2018 - 344.3 billion U.S. dollars, in 2019 - 358 billion U.S. dollars, and in 2020 - 325.4 billion U.S. dollars.¹¹⁷ In 2020, trade between the United States and Mexico declined slightly, which is explained by the influence of the Coronavirus (COVID-19) pandemic. It is expected that due to the pandemic and the current unstable economic situation in the world, these figures may decline even more.

Figure 1. US-Mexico merchandise trade: exports and imports (billion \$).

Years	U.S. merchandise exports to Mexico (billion \$)	U.S. merchandise imports from Mexico (billion \$)
1993 (pre-NAFTA)	41.6	39.9
2018	266	344.3
2019	256.6	358
2020	212.7	325.4

SOURCE: Office of the United States Trade Representative, Congressional Research Service, 2021

Despite the fact that Mexico is a developing country, it plays an important role for the economy of the USA, for example, without Mexico, the American automobile sector could be in a bad state now, significantly yielding to Chinese

¹¹⁵ U.S.-Mexico Trade Relations // Congressional Research Service. 26 April 2021. URL: <https://fas.org/sgp/crs/row/IF11175.pdf> (date of the application 13.05.22)

¹¹⁶ Ibid.

¹¹⁷ Ibid.

production. Some economists believe that the loss of jobs in the U.S. did not depend much on the signing of NAFTA, since such a negative trend continues due to competition with China.¹¹⁸ Thanks to NAFTA, the U.S. auto sector is able to compete with the Chinese auto sector now.¹¹⁹ The reduced cost of auto production due to the absence of customs duties within NAFTA has helped increase the competitiveness of the U.S. auto sector. Thus, the US could have lost even more jobs without NAFTA.¹²⁰ Moreover, we think that part of the production will move to Mexico due to the current tensions between the U.S. and China, thus Mexico will not lose jobs. Developers of Mexican industrial parks were reported to have received a significant number of requests in 2020 from companies that would like to move their production from China to Mexico.¹²¹

The division of labour between the United States and Mexico has existed for decades, so it can be said that both countries get more benefits from it than problems, otherwise they would get rid of this division of labour between them. However, some USMCA critics argue that because of this agreement, U.S. citizens have lost jobs; others express their concerns about the deterioration in the quality of working conditions and wages for Mexicans working in American enterprises. Despite all these critics, both sides get enough benefits from such cooperation. American companies, get cheaper labour, and, at the same time, Mexico gets jobs for its citizens.

Mexico has fairly low unemployment rate, despite the relatively low quality of living in the country. In 2020, unemployment rate in Mexico was 4.71%, when, for example, in the same year in Brazil, this figure was 13.67%.¹²² If we take statistics on the percentage of unemployed in Mexico from 1994 to 2020, then the highest

¹¹⁸ Andrew Chatzky, James McBride, and Mohammed Aly Sergie, NAFTA and the USMCA: Weighing the Impact of North American Trade // Council on Foreign Relations. URL: <https://www.cfr.org/backgrounder/naftas-economic-impact> (date of the application 27.04.22)

¹¹⁹ Ibid.

¹²⁰ Ibid.

¹²¹ The time has come to shift production from China to Mexico // Tecma Group of Companies. URL: <https://www.tecma.com/shift-production-from-china-to-mexico/> (date of the application 27.05.22)

¹²² Mexico Unemployment Rate 1991-2022 // Labor force // Unemployment rate // Macrotrends LLC. URL: <https://www.macrotrends.net/countries/MEX/mexico/unemployment-rate> (date of the application 01.05.22)

point of it was 7.10% in 1995, but after that year this figure declined.¹²³ One of the lowest percentages of unemployment in Mexico is in 1998-2008, when unemployment rate was below 4%, which is a very good indicator for the economy.¹²⁴ Unemployment is expected to increase in 2022 due to the economic impact of the Coronavirus (COVID-19) and global economic instability, but thanks to trade relations with the U.S. and Canada, Mexico will still have its production and market for its products. The trade war between the U.S. and China may make it possible that some U.S. manufacturers will decide to move their plants from China to Mexico, which could also bring additional jobs to Mexico.

Another important issue in US-Mexico relations is the issue of intellectual property standards (IPSS). Due to the lower salaries of the Mexican population than the American population, piracy of various intellectual products was widespread in Mexico before the signing of NAFTA.¹²⁵ Despite the fact that NAFTA contained a chapter on the protection of intellectual property rights (IPRs), nevertheless, in the new Agreement, this chapter contains higher intellectual property standards. According to experts, with the signing of NAFTA, which obliged Mexico to increase its IPSS, the country's investment attractiveness has increased.¹²⁶ Most likely, thanks to the USMCA, Mexico's attractiveness among investors will increase even more, as it must raise its intellectual property standards in accordance with the Agreement.

The updated chapter of the USMCA on “Intellectual Property” will further contribute to economic growth, innovative development, and, in general, will positively affect the member countries of the Agreement. In the United States, copyright protection is a very strict law, so in the updated version of the chapter on “Intellectual Property”, the rules are made mainly under American law. In the U.S., copyright lasts another 70 years after the death of an author, in NAFTA this clause

¹²³ Mexico Unemployment Rate 1991-2022 // Labor force // Unemployment rate // Macrotrends LLC. URL: <https://www.macrotrends.net/countries/MEX/mexico/unemployment-rate> (date of the application 01.05.22)

¹²⁴ Ibid.

¹²⁵ Gamso J., Grosse R., NAFTA 2.0 / J. Gamso, R. Grosse // Harvard International Review, Vol. 40, No. 1, 2019, P. 30-37.

¹²⁶ Ibid.

was 50 years and in USMCA copyright lasts 70 years after the death of an author.¹²⁷ The new Agreement aims to combat online piracy and also requires legal application for the digital environment, which was not in the NAFTA agreement. Now, in case of delays by the patent office or regulator, according to the new Agreement, the term of the patent is extended.¹²⁸ The Agreement also provides tougher penalties for disclosing trade secrets.¹²⁹ If NAFTA provided for 5 years of data protection for agricultural chemicals, then USMCA has this period of 10 years.¹³⁰ Another point that NAFTA did not have, but USMCA does: authority for customs officials to stop suspected counterfeit goods.¹³¹ USMCA also introduces criminal penalties for the theft of cables and satellites.¹³² Thus, the new rules contained in the USMCA are much stricter than the rules on intellectual property standards of NAFTA. These rules satisfy the U.S. side, while Canada and Mexico will have to adjust due to the new agreement. However, this clause is difficult to consider as the “cons” of the agreement, as there is more and more intellectual property, so countries need such rules. Indeed, Mexico will benefit if the USMCA attracts more investors, especially investors from the U.S. and Canada.

Overall, NAFTA has accelerated the integration between the United States and Mexico, the USMCA agreement does not radically differ from its predecessor, contributing to the development of one economic zone, as well as the development of relations between the countries. Both the United States and Mexico have received quite a lot of benefits from this free-trade zone. For example, trade between the US and Mexico has grown significantly since NAFTA went into effect. Also, despite criticism that Mexico has poor working conditions, Mexico has a fairly low unemployment rate. As for the United States, by moving American manufacturing to Mexico, such as automobiles, the US has been able to compete

¹²⁷ Chapter 20 // Intellectual Property Rights // Agreement between the United States of America, the United Mexican States, and Canada 7/1/20. Pp. 20.1-20.62. URL:

<https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/20%20Intellectual%20Property%20Rights.pdf> (date of the application 01.05.22)

¹²⁸ Ibid.

¹²⁹ Ibid.

¹³⁰ Ibid.

¹³¹ Ibid.

¹³² Ibid.

with an industrial nation like China. As experts say, despite the loss of jobs due to the transfer of American production to Mexico, the United States could lose even more jobs if it could not maintain competition with China. The new USMCA agreement improves the laws of the USMCA countries in the areas of digital trade, intellectual property rights (which is relevant in Mexico due to the high level of digital content piracy), and many other areas.

Chapter 3. Negative influence of NAFTA and USMCA on the economy and relations between their member states

3.1. Negative influence of NAFTA and USMCA on the economy and relations between the United States and Canada

Free-trade zones have many advantages, but there are also disadvantages, USMCA, the same as its predecessor NAFTA, is not an exception. On the example of the free-trade zone between the USA, Canada and Mexico, we examine what disadvantages of an FTZ may arise.

One of the problematic issues that used to exist between the US and Canada within the framework of NAFTA was a conflict over trade in certain categories of products. Former US President Donald Trump spoke about the disadvantages of NAFTA while initiating the revision of the agreement. Trump made no secret of his intention to renegotiate the trade agreement with Canada and Mexico in favor of the United States.

One of the main changes with the signing of the USMCA was that the dispute between the US and Canada over trade in certain categories of products moved off the ground. The essence of the dispute was that Canada placed restrictions on imports from the United States of certain categories of products, such as meat and dairy products.

On May 25, 2021, in accordance with Chapter 31 of the USMCA, a commission was created at the request of the United States in order to investigate the legality of the imposition by the Canadian side of restrictions on the import of American dairy products.¹³³ On December 20, 2021, the Commission submitted a report on this dispute, where it confirmed that Canada limited dairy tariff-rate quotas (TRQs) to American processors for the exclusive use of Canadian

¹³³ United States Prevails in USMCA Dispute on Canadian Dairy Restrictions // Press Releases // Press Office // Office of the United States Trade Representative // Executive office of the President of the United States. URL: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2022/january/united-states-prevails-usmca-dispute-canadian-dairy-restrictions> (date of the application 02.05.22)

processors.¹³⁴ Tariff-rate quotas or TRQs allow import of a certain product for a certain period of time at lower import duty rates (intra-quota duty) than the normal duty rate for that product.¹³⁵ Thus, Canada limited dairy tariff-rate quotas in favor of Canadian processors, which is contrary to Canada's commitment in Article 3.A.2.11(b) of the USMCA not to "*limit access to an allocation to processors*"¹³⁶, this means that Canada must remove the restrictions according to the USMCA agreement.

This report of the USMCA Commission was perceived by the American side as a victory over Canada in a dispute over the trade in dairy products.¹³⁷ It can be said that the United States benefited from the revision of NAFTA, since it managed to cope with the dispute with Canada, and now Canadian market is opened for American dairy products.

In 2018, during the negotiations of the NAFTA, the United States decided to put pressure on its trading partners by imposing higher duties on aluminum and steel imports from Canada and Mexico.¹³⁸ The percentage of duties on US purchases from Canada and Mexico of steel was 25%, and aluminum 10%.¹³⁹ Despite the trade agreement and years of cooperation with Canada and Mexico, this did not stop the United States from taking such action. In 2019, Trump announced the removal of duties on imports of aluminum and steel from Canada and Mexico, as the signing of the USMCA was already a done deal.¹⁴⁰ Despite the agreements of the NAFTA countries and their long-term cooperation with each

¹³⁴ United States Prevails in USMCA Dispute on Canadian Dairy Restrictions // Press Releases // Press Office // Office of the United States Trade Representative // Executive office of the President of the United States. URL: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2022/january/united-states-prevails-usmca-dispute-canadian-dairy-restrictions> (date of the application 02.05.22)

¹³⁵ Aim of tariff rate quotas // Tariff rate quotas // European Commission. URL: https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/market-measures/trqs_en (date of the application 02.05.22)

¹³⁶ United States Prevails in USMCA Dispute on Canadian Dairy Restrictions // Press Releases // Press Office // Office of the United States Trade Representative // Executive office of the President of the United States. URL: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2022/january/united-states-prevails-usmca-dispute-canadian-dairy-restrictions> (date of the application 02.05.22)

¹³⁷ Ibid.

¹³⁸ US lifts duties on steel and aluminum from Canada and Mexico // Politics // RBC. 20 May 2019. URL: <https://www.rbc.ru/rbcfreenews/5ce2248c9a7947779bc5aef3> (date of the application 04.05.22)

¹³⁹ Ibid.

¹⁴⁰ Ibid.

other, the United States decided to act in its own favor, not paying attention to the inconvenience that it brings to its trade partners.

Another problem in relations between the United States and Canada is the issue of environment. Canada is moving towards sustainable development in order to reduce the harmful impact of human activities on nature. The USA and Canada are neighbors, so it is necessary that both countries work to improve the environmental conditions on their territories. This issue is especially relevant for the United States, because, despite the fact that today China has surpassed the United States in carbon dioxide emissions due to increased production in the country, the United States remains one of the largest producers of carbon dioxide.¹⁴¹ Being a fairly large source of carbon dioxide, the United States does not particularly promote the “green agenda” in various international agreements, for example, we can recall the announcement by the former U.S. President Trump that the United States would withdraw from the Paris Agreement or the Paris Climate Accords in 2017.¹⁴² However, the next president of the United States after Trump, Joe Biden, announced that the United States would return to the Paris Climate Agreement.¹⁴³ This situation with the Paris Agreement shows a split in the political and business elites of the United States on the issue of environment, which means that the United States is uncertain with the issue of the environment.

During the existence of NAFTA, it was noted that this agreement contributes to the deterioration of the ecological environment. The NAFTA agreement itself did not contain a clause on ecology, but there was a separate agreement on this topic.¹⁴⁴ According to the official website of the Canadian government, they analyzed the impact of the NAFTA agreement on the environment, taking for the

¹⁴¹ Thomas C. Frohlich and Liz Blossom, These countries produce the most CO2 emissions // USA Today. 14 July 2019. URL: <https://www.usatoday.com/story/money/2019/07/14/china-us-countries-that-produce-the-most-co-2-emissions/39548763/> (date of the application 04.05.22)

¹⁴² Michael R. Pompeo, Secretary Of State, On the U.S. Withdrawal from the Paris Agreement // Press Statement // 2017-2021 Archived Content on an official website of the United States government. November 4, 2019. URL: <https://2017-2021.state.gov/on-the-u-s-withdrawal-from-the-paris-agreement/index.html> (date of the application 04.05.22)

¹⁴³ Ibid.

¹⁴⁴ Komkova E., Turned NAFTA / E. Komkova // Analytical Articles // RIAC. 10 October 2018. URL: <https://russiancouncil.ru/analytics-and-comments/analytics/perelitsovannoe-nafta/> (date of the application 04.05.22)

analysis data from the NAFTA's Commission on Environmental Cooperation (CEC), as well as various non-profit organizations.¹⁴⁵ Based on the data received, the Canadian side came to the conclusion that NAFTA had a negative impact on air pollution.¹⁴⁶ The Canadian government expressed their hope that the revision of the agreement would have a positive impact on the state of the environment. The USMCA contains updated clauses related to the environment, as well as more strict measures to control compliance with the clauses of the agreement on the protection of the environment.¹⁴⁷

At the time of spring 2022, it is difficult to sum up the impact of USMCA on the state of the environment in the area of this Agreement. Considering the return of the United States to the Paris Agreement on climate change and the USMCA agreement we can make a forecast. The updated trade agreement may help improve the environment within the free-trade zone between the United States, Canada and Mexico. However, only in a few years it will be possible to know the exact results of this agreement on the environment.

One of the notable articles of the USMCA is "Article 32.10: Non-Market Country FTA". The agreement gives the following definition for a non-market country: "*non-market country is a country:*

- (a) *that on the date of signature of this Agreement, a Party has determined to be a non-market economy for purposes of its trade remedy laws; and*
- (b) *with which no Party has signed a free trade agreement.*"¹⁴⁸

In accordance with it, a participating country shall inform other participants 3 months before the start of negotiations of its intention to sign a trade agreement with a "non-market country".¹⁴⁹ After the negotiations, inform them about the

¹⁴⁵ North American Free Trade Agreement negotiations – Initial environmental assessment // I. Executive summary // Government of Canada. URL: https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cusma-aceum/initial_ea-ee_initiale.aspx?lang=eng (date of the application 04.05.22)

¹⁴⁶ Ibid.

¹⁴⁷ Ibid.

¹⁴⁸ Chapter 32 // Exceptions And General Provisions // Trade Agreement between the United States of America, the United Mexican States, and Canada 7/1/20. Pp. 32.10-32.11. URL: https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/32_Exceptions_and_General_Provisions.pdf (date of the application 20.05.22)

¹⁴⁹ Ibid.

content of the text of the future agreement. If the content of the agreement is not appropriate for other participating countries, then they can withdraw from the USMCA while maintaining the free trade regime between each other through bilateral trade agreements.¹⁵⁰ Elena Komkova, Doctor of Economics, emphasizes that this article of the Agreement is a very serious instrument of U.S. influence over its trading partners - Canada and Mexico: “*Experts interpret this article as directed mainly against China.*”¹⁵¹

Even though neither Canada nor Mexico has a trade agreement with China, this does not mean that they cannot potentially become FTZ partners. The Trans-Pacific Partnership mentioned in Chapter 1 of this work, was signed by 12 countries in the Asia-Pacific region, including the United States in 2016.¹⁵² In 2017, the U.S. withdrew from TPP.¹⁵³ Despite the withdrawal of the United States from TPP, Canada and Mexico remained in this free-trade zone. In addition, the Senate of Mexico ratified Trans-Pacific Partnership agreement in 2018.¹⁵⁴ China could join the Trans-Pacific Partnership, which would make Canada and Mexico trade partners of China, which is completely unprofitable for the U.S. The United States is concerned that China may influence Canada and Mexico, since the People's Republic of China is currently a significant trade actor in the global arena.

3.2. Negative influence of NAFTA and USMCA on the economy and relations between the United States and Mexico

When it comes to the critics of NAFTA and USMCA, experts most often refer to the US-Mexico tandem. Of course, countries get quite a lot of benefits from a

¹⁵⁰ Chapter 32 // Exceptions And General Provisions // Trade Agreement between the United States of America, the United Mexican States, and Canada 7/1/20. Pp. 32.10-32.11. URL: https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/32_Exceptions_and_General_Provisions.pdf (date of the application 20.05.22)

¹⁵¹ Komkova E. USMCA instead of NAFTA / E. Komkova // World Economy and International Relations, 2019, vol. 63, no. 4, P.51-52.

¹⁵² McBride J., Chatzky A., Siripurapu A., What’s Next for the Trans-Pacific Partnership (TPP)? / J. McBride, A. Chatzky, A. Siripurapu // Council on Foreign Relations. 20 September 2021. URL: <https://www.cfr.org/backgrounder/what-trans-pacific-partnership-tpp> (date of the application 20.05.22)

¹⁵³ Ibid.

¹⁵⁴ Senate of Mexico ratified Trans-Pacific Partnership agreement // RIA Novosti. 25 April 2018. URL: <https://ria.ru/20180425/1519346921.html> (date of the application 20.05.22)

trade agreement, but there are also disadvantages of such cooperation, which cannot be ignored. We reckon that the disadvantages of NAFTA and USMCA in the context of the economy and relations between the US and Mexico are related to the difference in the capabilities of both countries. Mexico is a developing country, so it has to adapt its economy and laws to its developed trade partners. For example, the Free Trade Area of the Americas (FTAA) presented in Chapter 1 of this work, showed us that Latin American countries were concerned about the influence of the United States through an FTZ. They were afraid not only of competition from American goods, but also of influence in their laws.

First, we should pay attention to the one of the most common arguments of NAFTA critics - this is the transfer of production from the United States to developing countries, including Mexico. One of NAFTA's most famous critics is the former U.S. President Donald Trump, who pointed out that the Agreement encouraged American manufacturers to move their production to Mexico due to the relatively cheap cost of land and labor. Critics point out that the U.S. lost not only its production, but also jobs: *“NAFTA was blamed for killing more than 700,000 American jobs and shuttering at least 60,000 U.S. factories by clearing a path for companies to move manufacturing to Mexico.”*¹⁵⁵ According to the statistics on the unemployment rate in the United States, cited by U.S. Bureau of Labor Statistics in Figure 2 (p. 43), unemployment rises sharply at times, which, in our opinion, is due to serious crises both in the country and in the world.

¹⁵⁵ S.A. Miller, Biden reluctantly admits Trump's USMCA 'better than NAFTA' // POLITICS // The Washington Times. 10 September 2020. URL: <https://www.washingtontimes.com/news/2020/sep/10/biden-reluctantly-admits-trumps-usmca-better-nafta/> (date of the application 17.05.22)

Figure 2. United States Unemployment Rate (%)



SOURCE: TRADING ECONOMICS / U.S. Bureau of Labor Statistics

According to the data presented in Figure 2, we see that the unemployment rate in the United States is changing from high to low.¹⁵⁶ We have linked such persistent spikes in U.S. unemployment to a number of global crises. In 2010, the unemployment rate reached 10%, which is most likely due to the impact of the 2008 global financial crisis.¹⁵⁷ In 2020, we can see high unemployment rate of 15%, which can be explained by the COVID-19 epidemic, which negatively affected the entire global economy.¹⁵⁸

In the same Figure 2, we see that after 2020 the US unemployment rate started to decrease and reached its normal level of about 4% in Spring of 2022.¹⁵⁹ Based on these statistics, we can conclude that in addition to the signing of NAFTA, there are a number of other reasons for the increase in unemployment in the United States. However, the trade agreement has also had some effect on unemployment in the US. According to Figure 2, as we noted earlier in the U.S., the unemployment rate was 15% in 2020, in the same year, the unemployment rate in

¹⁵⁶ United States Unemployment Rate // Trading Economics / U.S. Bureau of Labor Statistics. URL: <https://tradingeconomics.com/united-states/unemployment-rate> (date of the application 20.05.22)

¹⁵⁷ Ibid.

¹⁵⁸ Ibid.

¹⁵⁹ Ibid.

Mexico was only 4.71%.¹⁶⁰ It is expected that due to the trade war with China, U.S. manufacturers may shift some production to Mexico, which could also bring more jobs to Mexico. At the same time, high inflation in the United States of America, which is observed in spring 2022 and is expected to increase further, may seriously affect the growth of unemployment in the country.¹⁶¹ We think that perhaps even a revised trade agreement will not help the United States cope with the loss of jobs due to the unstable economy in the world.

If we analyze the problem with the decline of American production in a little more detail, it becomes clear that the USMCA and world crises are not the only reasons of this phenomenon. Figure 3 (p.45) shows data on workforce employed in manufacturing in 1970-2011 (%), which reflects the general trend for the global economy.¹⁶²

¹⁶⁰ Mexico Unemployment Rate 1991-2022 // Labor force // Unemployment rate // Macrotrends LLC. URL: <https://www.macrotrends.net/countries/MEX/mexico/unemployment-rate> (date of the application 01.05.22)

¹⁶¹ Eric Garcia, US Inflation rate jumps by 8.5 per cent in 40-year high in bad news for Biden // US politics // Americas // World // News // Independent. 12 April 2022. URL: <https://www.independent.co.uk/news/world/americas/us-politics/inflation-rate-us-today-biden-b2056302.html> (date of the application 15.05.22)

¹⁶² Darrell M. West and Christian Lansang, Global manufacturing scorecard: How the US compares to 18 other nations // Report // Changes In Regional Manufacturing Employment, 1970-2011 // The Brookings Institution. 10 July 2018. URL: <https://www.brookings.edu/research/global-manufacturing-scorecard-how-the-us-compares-to-18-other-nations/> (date of the application 15.05.22)

Figure 3. Percent of workforce employed in manufacturing, 1970-2011.

Region	1970	1980	1990	2000	2007	2011
Developed Countries (U.S., Europe, Japan)	26.8%	23.9%	20.7%	16.9%	14.3%	12.8%
East Asia (China and South Korea)	13.9	22.5	24.3	20.9	21.2	21.5
Southeast Asia (Indonesia, Malaysia, Philippines, Thailand)	11.4	14.4	15.6	16.3	15.4	14.0
India	9.4	9.1	10.5	11.4	11.9	11.6
Latin America	15.5	15.4	15.3	13.2	12.4	11.5
North Africa	12.6	13.8	14.4	14.0	12.9	11.9
Sub-Saharan Africa	5.8	7.2	8.3	8.3	8.6	8.4

As can be seen from the data presented in the Figure 3, in developed countries, from the second half of the 20th century to the beginning of the 21st century, there has been a decrease in the amount of workers employed in manufacturing. If in 1970 in such developed countries as the USA, Japan and EU countries the workforce employed in manufacturing was 26.8%, in 2011 the figure dropped to 12.8% in the same countries.¹⁶³ In Asian countries, the opposite trend was observed in the same years: in China and South Korea, workforce employed in manufacturing was 13.9% in 1970, and in 2011 - 21.5%.¹⁶⁴ With the global division of labor, which is the result of globalization, developed countries began to move their production to Asian countries, where labor is much cheaper. However, in Latin America, we do not see a sharp increase in workers in manufacturing. In 1970, the rate of people from Latin countries employed in manufacturing was

¹⁶³ Darrell M. West and Christian Lansang, Global manufacturing scorecard: How the US compares to 18 other nations // Report // Changes In Regional Manufacturing Employment, 1970-2011 // The Brookings Institution. 10 July 2018. URL: <https://www.brookings.edu/research/global-manufacturing-scorecard-how-the-us-compares-to-18-other-nations/> (date of the application 15.05.22)

¹⁶⁴ Ibid.

15.5%, and in 2011 this figure dropped to 11.5%.¹⁶⁵ Compared to developed countries, Latin American countries have lost not so many jobs in manufacturing, but Asian countries have noticeably become leaders in the world in terms of workforce employed in manufacturing. Maquiladoras occupy a significant part of the Mexican economy, but based on Figure 3, we see the trend of transferring a huge amount of production from developed countries to Asian countries, thus they can seriously compete with Mexico in workforce employed in manufacturing.

Summing up, we can identify the following reasons for the decline in the U.S. jobs in manufacturing: global crises (the global financial crisis of 2008, the Coronavirus crisis of 2020), as well as the massive transfer of American production to developing countries (to a greater extent to Asian countries such as China). NAFTA has also had an impact on the transfer of American production to Mexico, which is especially noticeable in the auto industry. However, the decline in American production and the decline in jobs in the United States are not the results of only NAFTA, as former American President D. Trump claimed. This decline was largely influenced by the trend in the division of labor in the world.

In our opinion, Mexico has suffered from NAFTA due to the fact that Mexico is a developing country, and NAFTA influenced seriously its agriculture. As we wrote in Chapter 1, the plan proposed by the United States after the entry into force of NAFTA in 1994 to create the Free Trade Area of the Americas (FTAA) turned out to be a failure due to the fear of a number of Latin American countries of influence and competition from the United States. Governments of Latin American countries were concerned that local farmers would not have been able to compete with American farmers. According to the report "NAFTA's Promise and Reality" from the Carnegie Endowment for International Peace, despite the increased production in Mexico after the entry into force of NAFTA, the country's

¹⁶⁵ Darrell M. West and Christian Lansang, Global manufacturing scorecard: How the US compares to 18 other nations // Report // Changes In Regional Manufacturing Employment, 1970-2011 // The Brookings Institution. 10 July 2018. URL: <https://www.brookings.edu/research/global-manufacturing-scorecard-how-the-us-compares-to-18-other-nations/> (date of the application 15.05.22)

agricultural sector has been significantly affected.¹⁶⁶ In 2004, it was calculated how much damage the agricultural sector of Mexico has suffered since it entered NAFTA: this damage amounted to 1.3 million jobs loss in the agricultural sector of Mexico.¹⁶⁷ Moreover, the increase in the cost of labor in Mexico did not happen, despite the fact that the Mexican government saw the signing of NAFTA as a way out in resolving the economic problems in the 1980s in the country.¹⁶⁸

The decline of the agricultural sector, low wages and the quality of life in Mexico, which were the result of NAFTA, led to the mass migration of Mexicans to the United States.¹⁶⁹ Due to economic problems in the country, a huge number of Mexicans had to go to the United States seeking a better life. In 2019, 85% of all Mexican migrants to the United States were between the ages of 18 and 64, indicating that most of them are people of working age.¹⁷⁰ Such an outflow of the working-age population is very harmful to Mexico, since people of this age are the main taxpayers and labor force of the country. In total, the number of Mexicans living in the United States has grown from 2.2 million in 1980 to nearly 10.9 million in 2019.¹⁷¹ Thus, the issue of migration is quite acute in relations between the U.S. and Mexico, despite their cooperation within the free trade zone.

When Trump announced the revision of NAFTA, it was already obvious then that the issue of migration would be taken into account in the updated trade agreement. Attention should be paid to Chapter 23 of the USMCA agreement, dedicated to Labor. The Chapter is designed to establish better working conditions for workers in the U.S., Canada and Mexico. The Chapter also includes specific legislative measures that Mexico must take to reform its labor justice system.

¹⁶⁶ NAFTA's Promise and Reality, Lessons from Mexico for the Hemisphere / John J. Audley [et al.]. - Carnegie Endowment for International Peace, 2004. – P.6.

¹⁶⁷ Ibid.

¹⁶⁸ Ibid.

¹⁶⁹ Zhao X., Devadoss S., and Luckstead J. Impacts of U.S., Mexican, and Canadian Trade Agreement on Commodity and Labor Markets / X. Zhao, S. Devadoss, J. Luckstead // Journal of Agricultural and Applied Economics, Vol. 52, P.47-48.

¹⁷⁰ Emma Israel and Jeanne Batalova, Mexican Immigrants in the United States // Migration Information Source // Figure 4. Age Distribution of the U.S. Population by Origin, 2019 // Migration Policy Institute. 5 November 2020. URL: <https://www.migrationpolicy.org/article/mexican-immigrants-united-states-2019> (date of the application 15.05.22)

¹⁷¹ Ibid.

Parties are required to adopt and uphold in law and practice the core labor standards recognized by the International Labor Organization, including freedom of association and the right to strike, to effectively enforce their labor laws.¹⁷² It is expected that such measures will help improve working conditions and increase wages, firstly for Mexican workers. Thus, the USMCA contains stricter rules for its member countries in the field of labor, which, as the U.S. expects, may reduce the migration of Mexicans to the States.

In addition to the decline of the agricultural sector and mass migration from Mexico, NAFTA also brought environmental problems to the country.¹⁷³ As we wrote earlier, after NAFTA went into effect, Mexico experienced the maquiladora boom. Such industrial growth negatively affected the ecology of the country. In Mexico, as in a developing country, laws protecting the environment are not very strict.¹⁷⁴ Large corporations whose factories were located in Mexico also did not really care about the local environment.¹⁷⁵ USMCA contains stricter rules for compliance with laws aimed at protecting the environment. However, it is not clear how this obligation will be applied in practice, especially in Mexico.

Labor issues, environmental issues, migration, as well as many other issues related to free-trade zones agreements should be taken into account when drawing up such agreements, especially with countries with developing economies. According to the experts of the Carnegie Endowment for International Peace John J. Audley, Demetrios G. Papademetriou, Sandra Polaski and Scott Vaughan: *“The needs of developing countries must be taken into account in trade negotiations in meaningful ways that create real opportunities for development and growth, so that these countries’ citizens can also become consumers in the global economy.*

¹⁷² Chapter 23 // Labor // Trade Agreement between the United States of America, the United Mexican States, and Canada 7/1/20. Pp. 23.1-23.15. URL: <https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/23%20Labor.pdf> (date of the application 22.05.22)

¹⁷³ Cooney P. The Mexican Crisis and the Maquiladora Boom. A Paradox of Development or the Logic of Neoliberalism? / P. Cooney // LATIN AMERICAN PERSPECTIVES, Issue 118, Vol. 28 No. 3, 2001. P.73.

¹⁷⁴ Ibid.

¹⁷⁵ Ibid.

That, in the long-term, is how everyone will achieve greater prosperity.”¹⁷⁶ This statement is fully consistent with the problem that is observed in the global arena, where there is a division between developed and developing countries. The same situation is observed in relations between Mexico and the United States, where the developed country, the United States of America, actually gets more advantages. Mexico has failed in more than 20 years of NAFTA's existence to become an equal partner of the United States, especially with regard to low wages, low level of education and a generally low standard of living.

¹⁷⁶ NAFTA's Promise and Reality, Lessons from Mexico for the Hemisphere / John J. Audley [et al.]. - Carnegie Endowment for International Peace, 2004. – pp. 8-9.

Conclusion

The NAFTA trade agreement has existed for more than 20 years, and the precondition for its signing was the 1989 free-trade agreement between the United States and Canada. At the same time, Mexico, which was experiencing economic problems, decided to liberalize its economy and joined the trade agreement with the US and Canada, which led to NAFTA. When NAFTA went into effect in 1994, the United States decided to create an FTA throughout the Western Hemisphere (FTAA), including the NAFTA countries and Latin American countries, except Cuba. However, a number of Latin American countries were concerned that this trade agreement was an instrument of influence of the United States on their economy and policy, so the FTAA project was abandoned. We reckon that the Latin American countries saved their agricultural sectors by not joining the NAFTA free-trade zone. Despite the success of NAFTA, we can notice on the example of the FTAA that some countries did not agree with competition with the U.S. producers, as well as with the influence of the United States, which we also noted in this work among the disadvantages of NAFTA and USMCA.

The results of NAFTA were: lowering tariffs on trade in goods between its members, developing mutual trade, attracting investors, developing common laws, creating jobs in Mexico in the industrial sector, etc. Before the signing of NAFTA, there were many American factories in Mexico, with the signing of the Agreement, American production in the developing country increased even more due to relatively cheap labor there. This phenomenon became particularly noticeable in the automotive sector.

When Donald Trump became the President of the United States in 2017, he announced number of changes in some trade agreements of the U.S. Trump abandoned the idea of creating the Transatlantic Trade and Investment Partnership, a trade agreement between the U.S. and the EU, the development of which began under former US President Barack Obama. Trump considered TTIP irrelevant and unprofitable for the United States. Another trade agreement, the Trans-Pacific

Partnership, was signed by the U.S. in 2016, but in 2017 Trump announced the withdrawal of the United States from the agreement. Despite the possible benefits of TPP, Trump was worried that it would further worsen the situation with the decrease of American production. Thus, Trump decided to focus on revising NAFTA.

The leadership of the United States is reflected in many aspects of relations with Canada and Mexico. Canada and Mexico expressed their dissatisfaction with the news that Trump was going to renegotiate NAFTA, but on this issue the United States took a strict position, not taking into account the opinions of its NAFTA partners. Trump's worries about the lack of sufficient production in the United States, as well as the massive migration from Mexico and etc., seemed to him the results of NAFTA. Canada and Mexico decided to sign a new trade agreement with the United States after Trump imposed duties on aluminum and steel from these countries, which shows that the United States put pressure on its trading partners.

Thanks to NAFTA, mutual trade between the U.S. and Canada is balanced. If we talk about the advantages of USMCA, this agreement contains a number of new chapters that are aimed at improving relations between these two countries. So, as it seems to us, a very important chapter of the USMCA is the chapter “Digital trade”, which forms common laws in order to create favorable conditions for trade in e-books, videos, music, software and games. Moreover, Canada expects that USMCA will have a positive impact on the development of small businesses, which plays an important role in its economy. A relatively new chapter was added in USMCA, it is the chapter devoted to the environment. NAFTA had only a separate annex devoted to the environment, but now it seems that the countries of this free trade area, first of all, the United States, have seriously thought about this urgent problem. The USMCA prohibits commercial finning of whales and sharks. Also this chapter is aimed at combating air and water pollution.

The positive influence of NAFTA and USMCA on the economy and relations between the United States and Mexico is also noticeable. NAFTA helped Mexico attract foreign direct investment, create a large number of manufacturing jobs, and

increase Mexico's trade with the United States. If we talk about the United States, NAFTA also had advantages for it. Despite all of Trump's criticism towards NAFTA over the loss of production on the territory of the U.S., the move of U.S. auto production to Mexico helped American manufacturers compete with major manufacturers like China. As the result of globalization, the transfer of production from the USA was not only to Mexico, but also to other developing countries, for example, Asian countries. Moreover, we think that part of the production will move to Mexico due to the tensions between the U.S. and China, thus Mexico will not lose jobs. In addition, we have highlighted the article “Intellectual Property”. This article obliges Canada and Mexico to adopt IP protection laws similar to those of the United States. For example, under NAFTA, the period during which the author's rights to his IP were valid after his death was 50 years, but under USMCA this period was increased to 70 years. The Agreement also provides tougher penalties for disclosing trade secrets and 10 years of data protection for agricultural chemicals. Thus, Mexico can increase its investment attractiveness with updated IP rights laws.

In addition to the positive impact of FTZs on the US, Canada and Mexico, there are also problematic issues that could potentially arise for other countries in other FTZs, and which should be taken into account when they sign trade agreements. One of the most problematic issues in relations between the U.S. and Canada under NAFTA was the trade dispute. Canada limited American farmers in selling some dairy products in Canada, thereby protecting its local farmers. After signing the USMCA the United States took the first victory over Canada in this trade dispute. Now Canada must remove its restrictions on U.S. dairy products, which we see as a threat to Canadian dairy sector. Also, among the cons of the USMCA, it can be noted that this agreement is primarily an instrument of U.S. influence. In the new agreement there is a chapter which obliges USMCA countries to notify their partners of their desire to sign a trade agreement with a non-market country. This chapter complicates the potential partnership in the free-trade zone of Canada and

Mexico with countries such as China. Canada and Mexico do not want to lose trade cooperation with the U.S., so this chapter limits them in their own policies.

In our opinion, the disadvantages of NAFTA and USMCA are most noticeable in the framework of the U.S.-Mexico relations, since Mexico is a developing country. The U.S. had a significant impact on the economy and other areas of Mexico with the help of NAFTA, and continues to influence it further through USMCA. As the result of NAFTA, the environmental situation in Mexico was aggravated because of the sharp growth of maquiladoras, Mexican laws aimed at protecting the environment were ineffective. In addition, the agricultural sector of Mexico could not compete with the American one, due to the decline in the agricultural sector, many Mexicans lost their jobs. Unlike the Latin American countries, which were not willing to sign the Free Trade Area of the Americas (FTAA) with the NAFTA countries, and thereby saved their agricultural sectors from competition with American agricultural products, Mexico was not able to save its agricultural sector. Despite the growth of industrial production in Mexico, and with it the growth of jobs in this sector, which was facilitated by the trade agreement, the growth of wages and living standards in the country did not occur. Many Mexican citizens moved to the United States in the hope of a better life. Thus, despite the low unemployment rate in Mexico, many Mexican citizens decided to leave the country, which led to a migration crisis in the United States. Mexico, in turn, lost a huge amount of labor and taxpayers. The migration crisis has escalated between the United States and Mexico, which is why the new USMCA trade agreement includes stricter rules for its members' laws on labor issues. With the signing of the USMCA, working conditions are expected to improve, especially in Mexico, which should reduce migration from Mexico to the US. However, this problem remains relevant today, despite the signing of the USMCA.

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