Parts of the Whole: Critiquing and Repairing Free Trade under NAFTA

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On January 1, 1994, the North American Free Trade Agreement (NAFTA), the free trade policy linking the economies of Canada, the United States, and Mexico was officially implemented. Over the past decade, the policy has evoked a firestorm of debate involving neoliberal advocates, mercantilist critics, and radical critics, all of whom analyze and critique NAFTA in an effort to determine the success of free trade. Since NAFTA policies are evaluated by political economists with differing ideologies, the success of NAFTA's first decade remains in question. After a decade, which economists herald NAFTA as a success and who disregards it as a failure? Which set of economic and political standards should be used to evaluate free trade? And ultimately, what policies should be implemeted in NAFTA's second decade?

Since there is little agreement on the future of NAFTA, it is wise to look to the past if we are to determine where the future may lead. By understanding the conflicting arguments inherent in debate on free trade, then perhaps we can better establish priorities and suggestions for policy reform in NAFTA's second decade. Essentially, all disagreements in political economics stem from three theoretical perspectives: neoliberalsim, mercantilism, and radicalism. The three theories emphasize divergent characteristics associated with economic vitality: neoliberals emphasize market efficiency, mercantilists defend state sovereignty, and radicals value social justice. History has taught us that these theories regularly contradict each other and ultimately result in policy conflicts evidenced by countless case studies. Free trade and economic growth is a pressing concern for political economists, suggesting that little common ground can be found among the three theories.

The first of the three political economy scholars are neoliberals, who reject government intervention in the economy through protectionist policies such as tariffs, subsidies, and quotas; rather, their focus is on overall economic growth as evidenced by increases in gross domestic product. Neoliberal advocates expected NAFTA to produce an increase in exports of goods and services, create additional jobs, expand foreign investment, and spur overall economic growth. These four expectations of free trade policy serve as a means of evaluation for neoliberals. Neoliberal standards of success are easy to understand: if NAFTA has produced more goods, jobs, investment, and overall profits, then NAFTA should be heralded as a success. Neoliberals are not concerned with equality; therefore, it is not important who is enjoying the benefits and who is absorbing the costs because quantity of wealth, not quality of life, is the measure of neoliberal success.

Secondly, mercantilism is economic nationalism, which is consistent with realist rationale that the interests of a state take priority over global goals. A state builds wealth and power through self-sufficiency; therefore, mercantilists would directly oppose a free trade agreement such as NAFTA because it jeopardizes the domestic manufacturing sector through competition and creates trade deficits. When domestic manufacturing suffers losses as a result of cheap foreign goods, domestic production is directly harmed resulting in fewer goods produced domestically, the state becomes dependent on importing other countries' exports, and a trade deficit threatens economic security. Since domestic production reflects a state's readiness for assembling necessities during a time of war, mercantilists believe the state is no longer strong in their realist, balance of power world. Mercantilist literature offers three critiques of NAFTA: free trade will lessen the importance of domestic production and create a trade deficit that will jeopardize millions of manufacturing jobs, reduce workers' wages and fringe benefits, and increase immigration to the United States via Mexico.

Finally, radical critics are the third group of political economists attempting to accurately evaluate the first decade of NAFTA, but they evaluate free trade not on market efficiency or state sovereignty, but social equality. Radicals are progressive liberals that emphasize protection of individual liberties and human rights, as well as idealistic interests such as the environment. Unlike mercantilists, this group believes free trade can be beneficial, but only if the periphery is not open to economic exploitation by the core. Core and periphery economic relations are concerns of a type of radical economist known as dependency theorists. Dependency theory examines the implications of a neoliberal global economy and suggests that wealthy nations, the core, must have access to developing nations, the periphery, if they are to maintain their global status of wealth. The core uses the periphery as a source of raw materials and cheap labor to accumulate more wealth and ensure economic dependency within the periphery. Such a theory suggests that free trade will fail unless states are similar economically; otherwise, exploitation is likely to occur. Overall, radical critics approach the arguments presented by neoliberal advocates cautiously because they believe NAFTA has only produced strong economic growth statistics at the cost of environmental standards, violations of labor rights, and the justification of inadequate basic human needs in Mexico. Radical critics maintain that a lack of policy reform in these three areas will allow major corporations in the United States and Canada to exploit the lower environmental and labor standards in Mexico, which will only serve to weaken NAFTA in its next decade.

The drawback of the NAFTA literature is that neoliberal advocates and their critics have different notions of success, which creates a narrow focus for evaluation that ultimately hinders policy making. The logical starting point for future policy proposals is to address NAFTA as a complete entity rather than individual arguments supporting or denouncing free trade; however, the presence of logical arguments supporting all three positions creates a bind which forces NAFTA policy changes to occupy middle ground on all the issues or ultimately prefer one definition of success over the other two. Before choosing a path of reform, each advocacy or critique should be understood in its entirety so costs and benefits can be accurately weighed against each other.

Neoliberal Advocacy: The first interpretation of NAFTA involves neoliberal advocates who use the criteria of economic growth to maintain that the free trade policy has been successful. The economic goals of NAFTA were to increase exports of goods and services, create additional jobs, expand foreign investment, and spur overall economic growth through increased gross domestic product (GDP). The statistics presented by neoliberals suggest that these goals have indeed been accomplished since NAFTA's implementation in 1994. For example, intra-NAFTA trade grew 106% between 1993 and 2002, the United States created

20 million new jobs from 1994-2002, and United States foreign investment jumped from $3-5 billion pre-NAFTA to $15 billion in 1993 (Weintraub 2004). These statistics suggest that NAFTA has been a complete success, but Weintraub is quick to point out that NAFTA fails its fourth goal of increasing economic stability because there has been no increase in Mexican GDP in the past decade. The stagnant economy of Mexico supports a common concern of dependency theorists: trade is more beneficial to the core than the periphery, a significant weakness of the neoliberal argument.

Essentially, the primary weakness of the neoliberal argument is the literature favors the overemphasis of NAFTA's success in Canada while marginalizing the far less impressive effects on Mexican economy. Although Mexican trade and investment have significantly increased over the past decade, the agreement has not been able to equalize the economic disparity between Mexico and its two northern neighbors. The statistics for Mexico look phenomenal on paper, but their real world implications are that overall Canada has clearly benefited more from NAFTA. The annual growth of the Canadian economy since NAFTA's inception has been 3.8 percent compared to 2.7 percent in Mexico, which is exactly the same rate Mexico produced in the decade prior to NAFTA (Stracke 2003). Additionally, neoliberal advocates proudly boast of NAFTA's effect on fomenting investment, yet Mexico once again falls behind Canada, whose investment on a proportional basis exceeded Mexican investments sixteen-fold in the first seven years of NAFTA (MacKenzie 2003). Even though there is no simple solution to resolving the disparity between the Canadian and Mexican economies, it is vital that NAFTA advocates address the issue if improvement is to be a possibility. The growth of the Mexican economy is consistent with neoliberal goals because a stronger Mexican economy leads to an overall increase in goods, jobs, investment, and overall profits, which are neoliberal indicators of success within free trade.

Mercantilist Critique: Mercantilist critics directly challenge the statistics presented by NAFTA's neoliberal advocates because they maintain that NAFTA has cost the United States millions of manufacturing jobs, lowered wages, and increased immigration from Mexico. Mercantilist critics believe Canada and Mexico are seeing economic benefits at the expense of the United States. These critics believe that these costs far outweigh the minimal economic benefits we have seen since NAFTA's implementation. Neoliberal advocates can honestly claim that trade does create jobs, but the jobs they are referring to are service jobs. Mercantilist critics present an equally viable counterargument because trade results in job losses within the domestic manufacturing sector. This fact is evidenced by the rise in the United States trade deficit with Canada and Mexico, which is a result of the United States importing more goods and services under NAFTA than they are exporting. This negative trend continues as evidenced by the United States absorbing 84% of Mexico's total exports in 2002, up from 77% in 1993 (Scott 2003). In 2003, the United States absorbed 90% of Mexican exports leaving mercantilists wondering when the United States will cutback on Mexican goods in the interest of domestic manufacturing (Ruggless 2003). The increase in Mexican exports to the United States is a result of increased foreign direct investment (FDI), a trend neoliberal advocates have heralded as one of NAFTA's greatest successes. Benefits from increased FDI have positively affected both Canada, $44 million FDI in 1983-1992;

$202 in 1993-2002, and Mexico, $23 million FDI in 1983-1992; $124 million in 1993-2002, resulting in the United States market being flooded with their exports (Scott 2003). This increase in both Canadian and Mexican imports results in job losses because imports are essentially replacing goods that would have been produced by United States domestic manufacturers. Simply put, if the United States exports a million units to Mexico, their workers are employed, but if the United States imports a comparable million units, they do not need to produce the product, thus resulting in unemployed manufacturers. Through 2002, this trade deficit has cost the United States 1,673,453 jobs while only 794,194 have been created for a net loss of 879,280 jobs; 686,700 of which were lost from the manufacturing sector (Scott 2003).

Mercantilist critics are concerned about the trade deficit and resulting job losses because workers who remain employed also suffer as a result. Even shortly after NAFTA's birth, workers in the manufacturing sector were feeling the warning signs of NAFTA via wages reductions, with the average earnings dropping over 16% (Farber 1996). While the disparity between United States imports and exports explains the net loss in manufacturing jobs, the cause of wage reductions is increased competition. Since companies see advantages in moving their production to Mexico, which is lax in environmental standards and workers' rights compared to the United States and Canada, employers are able to undercut workers' bargaining power, union rights, and benefits, resulting in lower-paying, less-secure jobs (Economic Policy Institute 2001). Additionally, the manufacturing sector is an important source of employment for non-college-educated workers; therefore, these drops in wages only serve to widen the socioeconomic gaps in the United States. Workers without college educations compose 50% of the domestic workforce, but represent 60% of NAFTA victims who have suffered significant pay cuts and job losses (Rothstein and Scott 1997). In short, globalization and open trade presents threats to less-educated workers' wages for two reasons. First, United States trade deficits decrease manufacturing job opportunities that result in workers seeking lower wage jobs, which in turn drives down the average wage in manufacturing. Second, employers can threaten to move their companies to Mexico in order to coerce their employees into accepting minimal wages and benefits. Workers' lose their collective bargaining powers and their abilities to form unions because company owners prefer to relocate to Mexico where their employees will accept wages and benefits well below the standards in Canada and the United States (Scott 2003).

Finally, mercantilist critics contend that NAFTA's successes must be overestimated because Mexican immigration has been on the rise in the past decade, suggesting that Mexico's economy is not as vibrant as neoliberals suggest. They maintain that the United States should not place its manufacturing sector in harm, especially if Mexico sends us more imports and immigrants than jobs. NAFTA advocates wished to "improve the productivity of Mexico's workers, raise living standards, and create a much wealthier nation of consumers ready and able to buy American-made goods" (Stracke 2003). Famous critics of NAFTA such as Perot and Buchanan argue that this idealistic goal can never materialize because free trade only works for countries that have similar levels of development, such as the European Union. Clearly, Mexico will not catch up to the United States and Canada any time soon as long as their economic growth is just 2.7% per year, the same rate as the decade prior to

NAFTA. Mercantilists maintain that economic conditions are not improving in Mexico because immigration rates continue to rise, suggesting that NAFTA has not succeeded in making the average Mexican citizen wealthier. The Economic Commission on Latin America and the Caribbean reported the number of Latin Americans living poverty at 220 million people in 2002, 95 million of which are considered destitute (Grijalva 2003). Poverty and hunger force people to risk their lives to arrive in the United States, only to be hired as cheap and exploitable labor. The statistics for Mexican migration during NAFTA are astounding. The 2000 census estimated that there are 22 million people of Mexican origin residing in the United States, 5 million of whom are undocumented workers, and most significantly, over two-thirds of the total Mexican population has arrived in the past two decades (Pastor 2004). While the causes of this spike in Mexican immigration are not exclusively linked to NAFTA, the argument does have some correlation with the job losses and lower wages appearing in the United States because migrant workers are a form of increased competition and cheap labor threatening domestic job security.

Radical Critique: Another significant argument raised against NAFTA, which comes from radical critics, is whether the free trade policy would further jeopardize the severe environmental degradation Mexico faced pre-NAFTA. Mexico experienced several years of rapid industrialization and population growth, resulting in new jobs and higher incomes; however, their lack of environmental investment and enforcement of existing green policies resulted in heavily polluted waters and large quantities of improperly stored waste (Harrington 1998). United States environmental groups raised three primary arguments during NAFTA negotiations that illustrated the harm in allowing Mexico to continue its pre-NAFTA environmental regulations and enforcement, which were extremely lax compared to the United States and Canada. These radical critics believed that, continued industrial growth, lax enforcement of environmental policies, and increased competition would further jeopardize Mexico's already delicate environmental infrastructure, encourage environmental dumping by the United States and Canada, and trigger a race to the bottom in environmental standards by all three nations. When evaluating the first ten years of NAFTA, it is evident that these pre-NAFTA fears have not come to fruition to the degree that radical environmentalists had expected, but it is equally clear that two challenges still prevent NAFTA's environmental goals from being achieved.

Upon the implementation of NAFTA, Mexico increased efforts to strengthen and enforce environmental regulations in an effort to reduce the possibility of corporations taking advantage of lower environmental standards, but the domestic pollution threats and institutional difficulties still remain (Harrington 1998). Firstly, the principle obstacle preventing Mexico from achieving higher environmental standards is their voluntary compliance program, which has been embraced by large companies, but 90% of Mexican firms are small and medium sized enterprises that would be financially crippled if compliance were mandatory (Hufbauer and Schott 2002). So far attempts to offer incentives for investments in environmental equipment have failed miserably, forcing the Mexican government to search for other solutions.

The second problem hindering NAFTA's dedication to improving and protecting the environment involves institutional setbacks affecting all three countries. In August 1993, the United States, Canada, and Mexico signed the environmental side agreement of NAFTA known as the North American Agreement on Environmental Cooperation (NAAEC). NAAEC cited three primary goals: "to improve environmental conditions through cooperative initiatives, to ensure appropriate implementation of environmental legislation, and to mediate environmental disputes" (Hufbauer and Schott 2002). NAAEC established the Commission for Environmental Cooperation (CEC) to promote these three goals, yet the institution lacks direct instances of cooperation with NAFTA's Free Trade Commission (FTC) and relevant NGOs, which suggests that its lack of legitimacy prevents the first goal from being met. Although the CEC does have the authority to achieve its second goal, lack of access to environmental data collected by private organizations leads to inadequate legislation that is further weakened the voluntary enforcement policies of Mexico. Finally, the lack of incentives coupled with complex requirements and a lack of transparency has discouraged the citizen submission process of environmental non-compliance (Mumme 1999). Since the CEC has weak investigatory powers, it depends on citizen submission and to date, no complaints have been egregious enough to test CEC dispute resolution (Hufbauer and Schott 2002). Further, much like the CEC, the Border Environmental Cooperation Commission (BECC) and the North American Development Bank (NADBank) face similar organizational problems. These two institutions were created under the Border Environmental Cooperation Agreement (BECA), an agreement between the United States and Mexico implemented to improve environmental border problems. Their mandate is to develop, certify, and finance environmental infrastructure projects along the United States-Mexico border; however, BECC's policy scope has been limited by political pragmatism to water supply and wastewater treatment, and poor funding of NADBank has left them incapable of properly financing infrastructure projects in the poorest border cities (Mumme 1999).

Human rights protection, much like environmental concerns, went largely ignored throughout the developmental stages of NAFTA, perhaps explaining why there were significant workers' rights violations that went ignored throughout the first decade of NAFTA. In a side accord completed in August 1993, the involved countries cited their intent to "improve working conditions and living standards to protect, enhance and enforce workers' basic rights as a complement to economic opportunities created by the NAFTA" (International Labor Organization 2002). This side accord, know formally as the North American Agreement on Labor Cooperation (NAALC), was christened the "most ambitious link between trade and labor rights ever implemented" by Human Rights Watch. The eleven labor provisions of the NAALC address freedom of association, nondiscrimination in the workplace, and the establishment of a minimum wage, in addition to requiring high labor standards and access to impartial labor tribunals. (Wilkinson 2003). Most importantly, the NAALC granted the United States, Canada, and Mexico the right to hold the violating parties accountable for failing to meet the outlined provisions, a responsibility these three nations have neglected to uphold.

Under the NAALC, when a labor violation occurs in one country and is reported to either of the other two NAFTA member states, those states have the right to investigate the violation of the accused state. If the investigating country finds that the accused country has not fulfilled their labor obligations under the NAALC, then the other two countries may levy fines or impose sanctions, but the members of NAFTA are yet to bite with the teeth of the NAALC (Wilkinson 2003). In a 64-page document produced by Human Rights Watch, the twenty-three labor complaints filed from 1994-2001 were examined in full. High profile companies such as General Electric, Honeywell, Sony, General Motors, McDonald's, Sprint, and the Washington State apple industry are responsible for assorted health, safety, and workers' rights violations in all three countries – fourteen in Mexico, seven in the United States, and two in Canada (Human Rights Watch 2001). Of these complaints filed under the NAALC, not one has resulted in fines or sanctions, suggesting that NAFTA countries take the side of big business and economics over the individual worker and human rights. One violation 1997 that generated an independent investigation by Human Rights Watch discovered that factories in northern Mexico required female applicants to undergo pregnancy tests as a means of eliminating potential employees that would require maternity benefits once hired. Human Rights Watch along with several other groups filed a complaint against Mexico, but the only action the United States took in response to this gross infringement of worker and women's rights was an agreement with the Mexican government to hold "outreach sessions" on the issue (Wilkinson 2003). Since no punishment was issued by the United States or Canada, these factories continued to conduct this illegal practice of pregnancy testing.

The third and final problem radical critics address is NAFTA's failure to improve basic human needs standards in Mexico. Basic human needs such as access to clean water, adequate nutrition, and appropriate housing are reflections of the overall quality of life and economic strength of a nation. As previously described, clean water was an issue prior to NAFTA's implementation, and continues to pose a threat to the environment as well as the health and well-being of Mexican citizens. However, the most shocking violation of basic humans needs occurs among Mexican maquiladora workers whose minimum wage only provides 19.6% to 28.6% of basic needs such as meals, housing, and clothing for a family of four (CREA 2001). Maquiladora factories are assembly plants located along the Mexican border in which these underpaid workers labor to produce exports for the United States. Numerous Fortune 500 companies operate factories in Mexico in addition to their domestic factories, yet they deny Mexican workers of the minimum wage standard required in the United States. The vast majority of maquiladora factory workers earn less than 55 pesos a day, which has served to widen the gap between the wealthy and near destitute factions of Mexican citizens (CREA 2001). NAFTA has not improved the standards of basic human needs among its citizens, which is a possible factor that prevents growth among the Mexican GDP and ultimately leads to illegal immigration. Additionally, the neglect of basic human needs by United States corporations further supports the mercantilist concerns of manufacturing job outsourcing because companies are becoming acclimated to the low wages that Mexican workers blindly accept. Until these corporations receive benefits for providing fair and equal minimum wages to maquiladora workers, basic human needs in Mexico will see no improvement, and Mexico's overall economy will be threatened by economic inequality.

Literature Conclusion: In conclusion, it is relatively simple to distinguish NAFTA's advocates from its critics because their standards for success in free trade vary to such a large degree. Literature from neoliberal advocates heavily favors their analyses of economic statistics, giving the impression that NAFTA's first decade has been comparatively advantageous; however economic factors alone do not determine the success of a free trade policy. As mercantilist and radical critics have shown, the economic successes of NAFTA came with significant costs to all three member states, thus signaling the need for policy reform. Mercantilist critics directly challenge the neoliberal interpretation of NAFTA's economic successes by examining the negative effects of economic growth, but they also fail to recognize the positive achievements of free trade.

There are several cases that illustrate the conflict between neoliberal and mercantilist interpretations of the economics of free trade. For example, neoliberal advocates argue that an increased FDI has spurred Canadian and Mexican economies, but mercantilist critics point out that Mexico's economic growth rate has stagnated and is no higher than it was pre-NAFTA, and therefore overall Mexican wealth is no higher. Similarly, neoliberals state that 20 million jobs were created from 1994-2000, but mercantilists argue that these jobs were primarily service jobs and that any newly created manufacturing jobs were being exported to Mexico. Clearly, while both factions are quarrelling over their interpretations of the same facts, they are not recognizing that NAFTA simultaneously creates and solves economic problems in North America.

To further complicate the debate, the third faction, radical critics, adds a whole new dimension to the debate. In addition to tackling economic inequality, radicals believe in conquering social inequality as well. These critics are concerned because environmental standards and workers' rights were merely NAFTA side agreements, thus preventing these issues from receiving necessary policy reform. After a decade, NAFTA is still having difficulties meeting the NAAEC and the NAALC, mostly due to poor institutional organization and lack of an effective report process and adequate dispute resolution. Additionally, neglect for basic human needs in Mexico will further entrench Mexico in its unequal periphery state, which is a significant trade barrier according to both radical and mercantilist critics. Furthermore, the radical critics believe these issues need to be addressed before NAFTA can move forward because the global community looks to the United States as an economic standard. NAFTA's neglect for environmental policies and human rights standards sends developing nations the message that economic growth should be the first priority, despite any negative consequences that may occur. Overall, radical critics maintain that lax standards, which are supposed to reduce financial costs in developing nations, actually encourage wealthy nations to exploit these same for raw materials and cheap labor further entrenching them in the economic periphery.

In conclusion, the NAFTA literature addresses countless strengths and weaknesses of free trade, but few articles propose solutions for NAFTA's second decade. With arguments coming from diametrically opposed viewpoints, it is necessary that critics grant that no solution can address every problem to each individual's liking and that they must seek middle ground in order to move forward with NAFTA improvements. The three interpretations of free trade under NAFTA suggest that the advocates and critics share few common goals, but it is possible to implement policies that at least partly satisfy the three theoretical standards. While a solution that completely fulfills all three economic standards of success in free trade is currently not feasible, the current standard of success, neoliberalism, does not necessarily have to take precedence over the other two.

Suggestions for Policy Reform: Since very little NAFTA literature focuses on the future of the free trade policy, it is rather difficult to determine a starting point for reformation, let alone which policies should be implemented to alleviate the problems of the status quo. By studying the arguments presented by neoliberal advocates as well as mercantilist and radical critics, it is clear that NAFTA has accomplished a number of goals in its first decade, yet there is still room for policy reform during the next decade. The problem is that NAFTA does not exist in a vacuum and both the successes and failures of NAFTA are not mutually exclusive; all the arguments presented in the literature speak to part of the whole. Clearly, there is no simple answer to complex challenges plaguing NAFTA such as bringing Mexico's economy up to the level of the United States and Canada. It is not reasonable to assert that a free trade agreement is responsible for Mexico's economic struggles, nor can NAFTA be expected to serve as a magical overnight solution for Mexico's decade old economic problems; however, there are some realistic policy solutions that can be implemented as NAFTA transitions from its first decade into its second.

First, neoliberal advocates must grant that NAFTA's success through promotion of increased economic vitality in North America does not mean the free trade policy is immune to serious consequences that require policy revision. Clearly, while NAFTA has created millions of service jobs, it has left the manufacturing sector in the United States worse off than it was pre-NAFTA. This mercantilist argument attributes manufacturing job losses to the United States trade deficit, which is a result of absorbing nearly all of Mexico's exports in the first decade of NAFTA. While Mexico obviously needs an importer for its goods, the United States should no longer shoulder this burden alone. NAFTA has access to the markets of other trading blocs such as the European Union (EU), a supranational organization consisting of twenty-five member states, and the Association of South East Asian Nations (ASEAN), that currently has ten members and the support of China, Japan, and South Korea. Although the United States has a close relationship with the EU and sits in on ASEAN talks as an observer, they are acting independently rather than using NAFTA as a bargaining tool. The EU and ASEAN have realized the benefits of cooperating with another major economic bloc, and have openly embraced trade and relations. In September 2001, the European Commission identified ASEAN as a "key economic and political partner of the EC and emphasized its importance as a locomotive for overall relations between Europe and Asia" (Europa 2004).

The EU-ASEAN partnership suggests that trading blocs are beginning to understand the importance of working with rather than against each other in a global economy where the World Trade Organization (WTO) has lost legitimacy to these very same regional trading blocs. The manufacturing sector within the United States would benefit considerably from a

NAFTA-EU-ASEAN partnership because Mexican goods could be introduced to two successful, wealthy trading blocs, which would lessen the amount of Mexican exports absorbed by the United States thereby reducing the trade deficit. Additionally, NAFTA could also enter regional trading partnerships with the two main trade blocs of South America, the Southern Common Market (MERCOSUR) and the Andean Community. Not only would trade relations provide two more markets for Mexican exports, further lessening the burden on United States manufacturing, but these relationships could mean a smoother transition to the proposed Free Trade Area of the Americas (FTAA) which would eliminate or reduce trade barriers among all nations in the western hemisphere, excluding Cuba.

Although extending availability of Mexican exports through trading bloc partnerships will lessen the United States trade deficit and preserve domestic manufacturing jobs without jeopardizing the Mexican economy, this solution does not solve the problem of increased competition. Lower-paying, less-secure jobs appear in the United States when workers either agree to less pay and fewer benefits, or they entirely lose their jobs to Mexican relocation where the workers will always be willing to do the same job for less income. Until Mexico mirrors Canada and the United States economically, competition will be a problem under NAFTA, so it is fairly obvious that action should be taken against southern migration to protect domestic wages and job security. One of the most feasible plans for cutting the number of business relocations to Mexico is to offer tax incentives to businesses for remaining in United States borders and paying competitive wages with benefits packages. Since relocation is an expensive ordeal, especially for comparatively smaller companies, tax incentives can be an effective deterrent. Additionally, the problem of relocation has not been as extensive as mercantilist critics claimed pre-NAFTA, so tax incentives, while a simple solution, will likely aid in preventing this trend from worsening under NAFTA's second decade. Additionally, incentives can work in favor of Mexico as well. Tax incentives can be offered to larger companies if they start a second branch in Mexico while maintaining their domestic branch, or well-funded start-up enterprises can receive benefits for investing in the Mexican economy. Finally, while tax incentives can buffer the negative effects of increased competition, they may also be the answer to the radical critique of major corporations neglect for Mexican basic human needs. While there is no simple solution for bridging the gap between Canadian and United States standards of living in and those in Mexico, tax incentives provide a gateway for future policy efforts by encouraging employers to supply their Mexican employees with adequate pay to fulfill the basic needs of their families.

The third argument mercantilist critics make against NAFTA refers to the increase in immigrants in Mexico which has seen explosive growth, in both legal and illegal, over the past decade. While rising immigration rates coincided with NAFTA's first decade, there is no direct verification that NAFTA directly caused illegal immigration to substantially increase. The trade agreement may very well be one of many elements forcing Mexicans to risk their lives to move north, but immigration is a complex problem with multiple causes and no simple solution. If mercantilists desire fewer immigrants, the only feasible way to reduce these numbers is to exert sovereignty by applying stricter immigration caps and increasing security along the border. These actions would stand in opposition to the principles on which NAFTA was implemented; therefore, other solutions should be considered.

The more diplomatic technique for reducing the influx of illegal immigrants would be adopting the policy changes previously outlined. In such a way, all three of the mercantilist critiques of NAFTA could be significantly alleviated by implementing the previously prescribed policy reforms. By engaging in trading bloc partnerships, Mexico would have a competitive market for its goods, which will increase production and the number of jobs available to Mexican citizens while simultaneously protecting United States manufacturing jobs through reduction of the trade deficit. Additionally, tax incentives for corporations should encourage corporations to offer Mexican workers fair wages that meet the needs of their families. A stronger, more self-sufficient Mexican economy with workers earning competitive wages is idealistic, but is a necessary step in not only reducing Mexican immigration north, but in creating a stronger, more profitable economy for all of NAFTA's partner states. Neoliberals will not be satisfied with the immediate deceleration of economic growth, but the future success of free trade is dependent on success being shared by Canada, the United States, and Mexico alike. Overall, a change in NAFTA policy now will lead to greater economic successes in the future compared to the continuation of the status quo.

Partnerships between trading blocs and tax incentives promoting domestic jobs and competitive income are solutions that will improve the concerns raised by mercantilist critics of NAFTA, but different approaches are needed to lessen the environmental and human rights violations that radical critics hold as NAFTA's responsibility. The greatest hindrance to improving environmental conditions under NAFTA is the lack of funding. The member states neglected to place importance on environmental standards during the first ten years of NAFTA, which is a mistake that can continue no longer. Currently, the three major institutions of NAAEC and BECA, the CEC, the BECC, and NADBank, are all grossly under funded which prevents effective environmental analysis and adequate border assistance from being offered. The CEC was originally promised a $15 million annual budget in 1994, but as of 1999, was operating on a $9 million dollar budget, which is three times as large as BECC's $3 million annual budget (Mumme 1999). Regulations, monitoring, and enforcement of environmental policies require money, so if the NAFTA member nations expect an improved environment, they need to ensure that the institutions created under NAFTA side agreements need to be properly funded.

In addition to adequate funding, it is equally evident that institutions under the NAAEC and BECA are in desperate need of reorganization. Institutional barriers prevent the CEC, the BECC, and NADBank from fulfilling the goals outlined in the environmental side agreements of NAFTA. The CEC can not feasibly accomplish everything that it was created to achieve. For example, its lack of investigatory powers prevents it from initiating and conducting possible investigations of violations; instead, the institution is forced to rely on independently filed reports. Additionally, the CEC's inability to collect its own environmental data is problematic because private reports tend to be skewed, thus affecting an investigation if the CEC was to be granted this capability (Hufbauer and Schott 2002). If the CEC could collect its own data and investigate violations, the independently filed complaint reports are no longer the sole means of alerting NAFTA member states of infringements on environmental policies. The same conflict exists within the BECC and NADBank; these institutions have the jurisdiction to act in a particular case, but internal organization and access prohibits such actions from being completed. Such is the situation of the BECC; this institution was developed to resolve environmental violations on the United States-Mexican border, but if the violation is something other than water pollution or waste management, there is little the BECC can do. Overall, the environmental organizations of NAFTA are the most disorganized, weak institutions created under the free trade policy. By reorganizing internal structure and the rules under which these institutions are governed, they will be more prepared and capable of meeting the goals to which radical critics are holding NAFTA responsible.

The final area in need of reformation within the environmental and labor rights side agreements is the process of filing complaints and overall dispute resolution. First of all, the lack of incentives for reporting both environmental and labor rights violation is not sufficient enough to warrant an individual filing a complaint under an extremely complex system. By offering worthwhile incentives and streamlining the filing process, more environmental and workers' rights violations will be available to analyze; however, the availability of cases is useless if the appropriate dispute resolution framework is in place. Rather than having the member states responsible for distributing fines and tariffs to their neighboring states, and independent body should analyze the violations and hand down the appropriate punishment. Such a body would force states to maintain higher environmental and labor rights standards because the fear of punishment will finally be legitimate.

Much like the policy reforms necessary for alleviating the disadvantages noted by mercantilist critics, the NAFTA policy modifications required for environmental and human rights restructuring require an initial monetary investment; a stipulation neoliberals will not easily endorse. Funding, reorganization, and incentives may seem like a waste of time and money to the neobliberals, but their radical critics understand the importance of adopting effective, equal environmental and human rights policies if corporations are to be deterred from racing to the bottom. All in all, equality among the three NAFTA member states will produce the most overall economic growth while protecting domestic markets, environmental standards, and basic labor and human rights. The question therefore becomes whether or not the initial monetary investment necessary for effective reform is worth the preliminary deceleration of economic growth.

Conclusion: NAFTA may have produced impressive economic growth in its first decade, but it is apparent that policy revisions must be implemented to ensure its future success, as well as the success of any expansion of the free trade agreement to other states. President George W. Bush does not see the urgency of addressing either mercantilist of radical concerns with NAFTA; instead, he continues to push ahead with his plan to implement the FTAA, an extension of NAFTA to the entire western hemisphere, by 2005. Bush has stressed the importance of free trade because he believes it is not just a monetary issue, but an issue of moral importance; however, he has openly opposed linking trade agreements to labor and environmental issues (On the Issues 2004). Critics berate Bush for a policy dubbed "NAFTA on Steroids" because it fails to protect domestic interests, the mercantilist critique, or the need for environmental, labor, and human needs standards, the radical critique (Iritani 2004). It is evident that Bush's proposed FTAA will face the same challenges as NAFTA, yet Bush does not feel compelled to implement any policy changes to either free trade policy at this time. Critics maintain that a reckless pursuit of free trade will lead to bursts of economic growth followed by a series of negative effects that will be far more detrimental to free trade than witnessed under NAFTA.

In conclusion, if the United States wants other countries to follow a strict set of guidelines for free trade agreements, they must be willing to lead by example. NAFTA member states must realize that both mercantilist and radical critics correctly critique the current state of NAFTA after one decade. While not all solutions are simple, there are relatively easy steps the United States, Canada, and Mexico can take to ensure that NAFTA's second decade is brighter than the first. By opening relations to other trading blocs, the fear of a trade deficit can be reduced. Additionally, tax incentives for businesses can keep domestic jobs safe while promoting competition abroad and ensuring a fair wage that meets workers' basic human needs. Finally, increased funding, reorganization, and more efficient dispute resolution can counteract the negative affects of lax environmental laws and labor violations.

Unfortunately, neoliberal arguments are valued above and beyond mercantilist and radical critiques by the current governments of Canada, the United States, and Mexico, thus influencing the focus of NAFTA's policies. While it is not feasible to satisfy neoliberals, mercantilists, and radicals completely, it is not necessary or beneficial to fully accept one economic rationale over the other two; in this case, the neoliberal advocacy by the United States only serves to limit the success of NAFTA and jeopardize the future of the FTAA. While it is not likely that the Bush Administration will stray from its current neoliberal focus on free trade, it is important to recognize the gamble they are taking by ignoring their critics. Massive economic growth through inequality will ultimately lead to Mexico failing farther behind economically, thereby reducing NAFTA's economic success in the future. By implementing policy change at this point in time, many unintended negative consequences produced in NAFTA's first decade can become comparatively better than if status quo policies continue.

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