



Is NAFTA a Bad Trade Deal for the U.S.?

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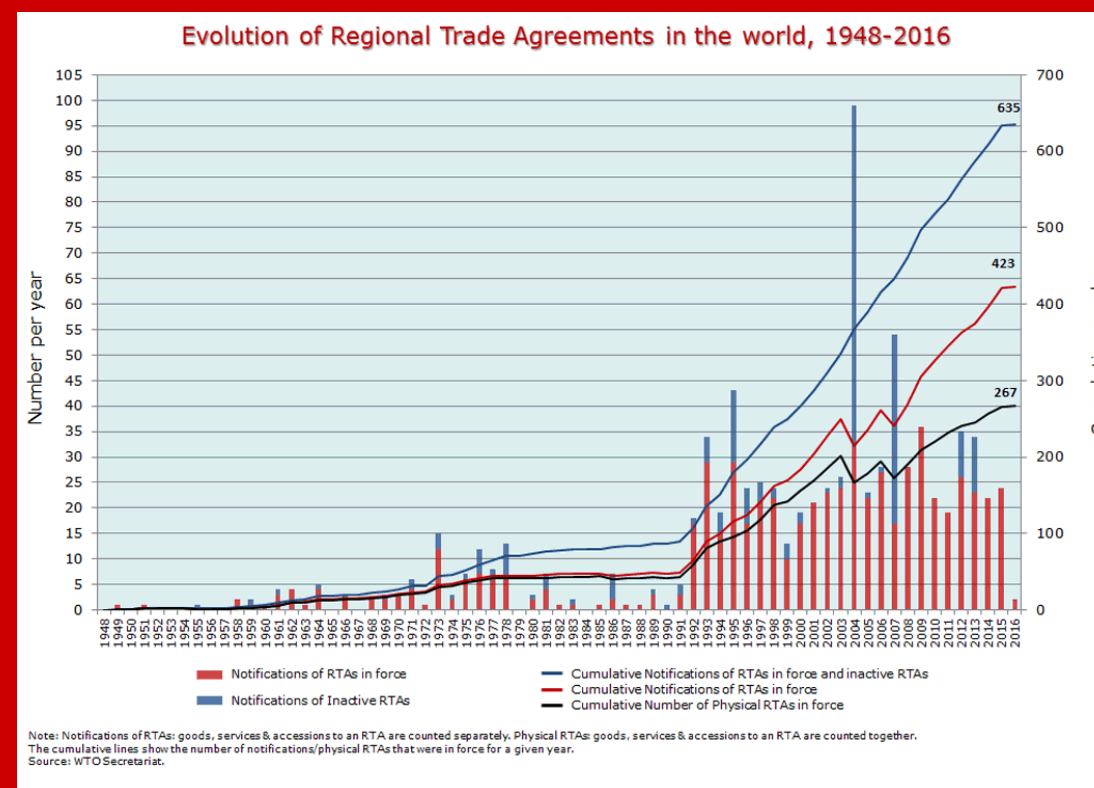
INTRODUCTION

With a new president in office, many of the preceding administration's policies have been called into question. One of the most significant of these policies is the North American Free Trade Agreement (NAFTA), which has been the topic of much debate⁴. NAFTA eliminates all tariffs between its constituent countries, as to promote free trade. My goal with this poster is to evaluate NAFTA both through its overall general effects, and its effects on labor and production in a specific sector, Iron and Steel, which critics claim has been hurt by NAFTA³.

BACKGROUND AND SIGNIFICANCE

Since the end of WWII, America has been one of the leading economic powers of the world, as well as one of the main proponents of globalization and free trade.

The US was in a Regional Trade Agreement (RTA) called CUSFTA (Canada and the U.S.; 1984) that became increasingly controversial in Canada¹. NAFTA was a second attempt at a free trade agreement, and included Mexico as a third partner.

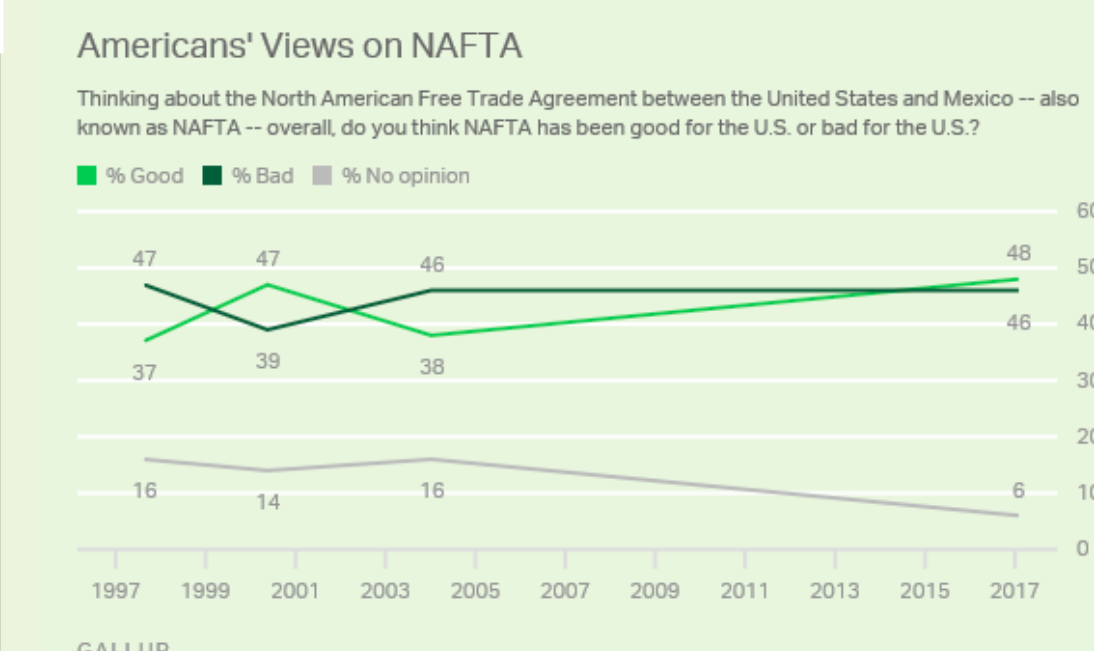


Pre-NAFTA Tariffs(%)		
	Canada	US
Textiles	16.9	7.2
Clothing	23.7	16.4
Footwear	21.5	9.0
Furniture and Fixtures	14.3	4.6
Paper products	6.6	0.0
Chemicals	7.9	0.6
Rubber Products	7.3	3.2
Nonmetal Mineral Products	4.4	0.3
Iron and Steel	5.1	3.7
Nonferrous metals	3.3	0.5

NAFTA was beneficial to the U.S. since it opened up Mexican markets, and did not have a large effect on U.S. tariff revenue. Even so, there was a backlash against NAFTA as part of growing concerns about globalization's effects on U.S. workers.

"We have got to stop sending jobs overseas...you don't care about anything but making money. There will be a giant sucking sound going south"-Ross Perot(1992 Campaign)

American's views have varied greatly on the subject of NAFTA². They remain fairly divided over whether it is a good or bad deal.



"NAFTA is the worst trade deal maybe ever signed anywhere, but certainly ever signed in this country"-Donald J. Trump

"I will renegotiate NAFTA. If I can't make a great deal, we're going to tear it up."-Donald J. Trump

"NAFTA recognizes the reality of today's economy - globalization and technology. Our future is not in competing at the low-level wage job; it is in creating high-wage, new technology jobs based on our skills and our productivity."-John F. Kerry

DATA ANALYSIS AND RESULTS

Because the U.S. economy is complex with many variables, it is impossible to isolate NAFTA as a single variable. All we can show is that NAFTA correlates with increased GDP and growth on exports and employment in the manufacturing sector. For example, with the advance of technology, many of the jobs in manufacturing are being replaced, so we cannot attribute any job losses to NAFTA alone. Based on the facts from our data even after the signing of NAFTA GDP continued increasing steadily, the U.S. maintained its dominance in GDP over the other NAFTA nations, and jobs and production in the steel sector continued to grow. Nothing in our data supports the claim that NAFTA had negative effects on our economy. There was no loss of jobs in the steel and iron sector. We do not, however, have an empirical test to disprove that claim. Making longer term conclusions about it would require much more extensive research, for example, a larger, multivariable analysis of the U.S. economy that would more effectively allow us to isolate NAFTA as an independent variable.

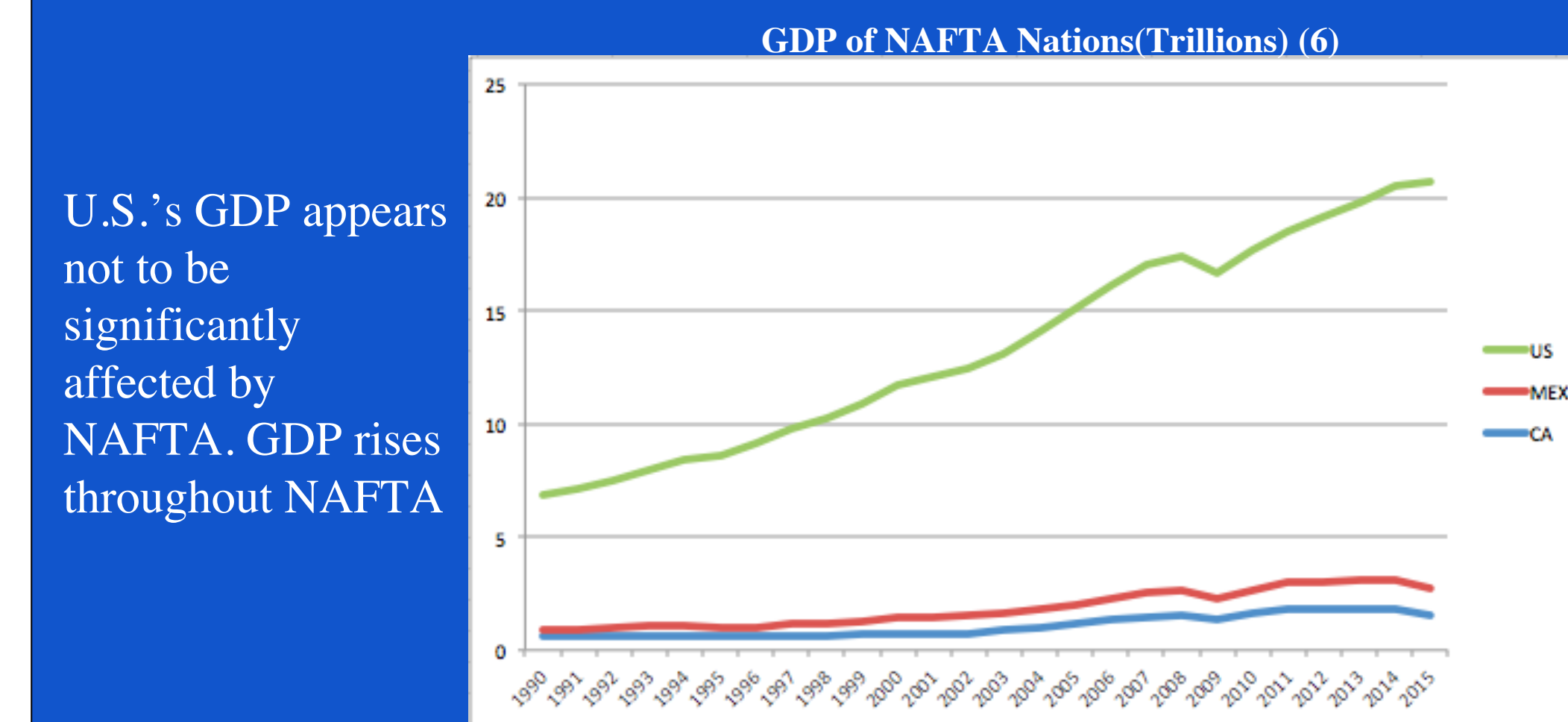
ACKNOWLEDGEMENTS / WORKS CITED

Special thanks to my mentor Judy Goldstein, and the two teachers who helped with all the logistics, Ms. Chute and Ms. Kaci. Thank you for making this project possible.

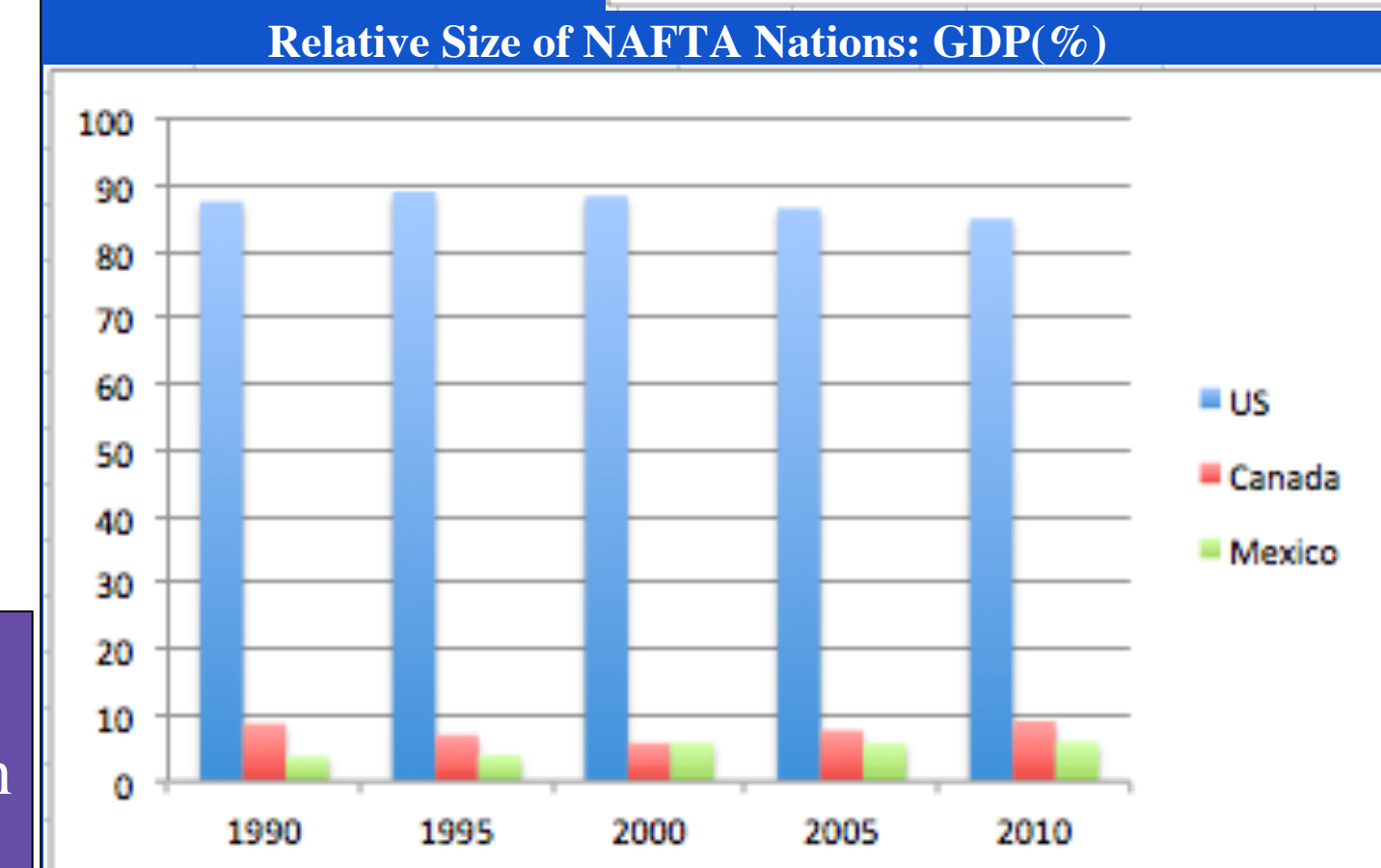
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RESEARCH AND DATA COLLECTION



U.S.'s GDP appears not to be significantly affected by NAFTA. GDP rises throughout NAFTA



The U.S. GDP is not falling in relative size in the context of NAFTA. Neither is that of Canada or Mexico.

Before NAFTA, the U.S. had low steel and iron tariffs, so NAFTA did not impact these sectors' revenues greatly.

U.S. Tariff Data for Iron and Steel Ingots(Pre-NAFTA)(7)	
Item	Most Favored Nation Average(U.S.)
Iron and Non Alloy Steel ingots	4.2%
Iron and Non Alloy Steel ingots in primary forms	4.2%
Iron and Non Alloy Steel semi finished products with 0.25% or more of carbon	4.2%

Exports of Iron and Steel actually increased from 1993-1994 by 170 million, and by 300 million more by 1995.

Total Trade of Steel and Iron Commodities(HTS 72):Exports(1989-1995)

HTS Number	1989	1990	1991	1992	1993	1994	1995	Percent Change 1994 - 1995
In Actual Dollars								
7224	8,759,666	16,423,031	18,849,745	21,111,174	32,716,264	25,883,548	22,986,579	-11.2%
7229	12,890,254	14,934,834	14,646,962	14,940,726	17,143,957	27,322,166	27,626,979	1.1%
7214	46,084,367	62,548,010	74,225,112	57,687,683	65,741,619	74,102,173	102,265,558	38.0%
7225	38,059,473	48,598,906	50,636,969	47,360,759	53,080,746	70,305,000	81,403,842	15.8%
7222	16,077,035	20,575,523	19,247,867	18,764,022	17,543,412	23,058,224	33,904,824	47.0%
7215	13,358,282	22,561,467	24,896,369	29,274,662	29,324,683	45,260,640	39,969,279	-11.7%
7209	85,248,598	116,883,596	150,749,312	144,063,114	152,394,348	189,186,851	198,020,996	4.7%
7226	31,678,561	44,340,884	45,929,318	52,373,161	46,707,779	48,337,215	40,390,885	-16.4%
7217	20,251,674	42,708,485	46,476,905	55,108,532	61,505,991	74,972,221	71,737,915	-4.3%
7221	8,517,528	7,573,737	3,729,298	1,113,520	2,423,940	3,135,953	5,248,720	67.4%
7216	44,531,571	110,131,092	118,798,667	98,786,069	117,412,495	152,148,732	177,672,206	16.8%
7228	30,755,206	62,346,834	88,985,070	117,111,409	116,365,563	125,130,550	126,299,695	0.9%
7210	140,582,930	234,405,682	301,895,605	363,078,438	344,521,193	266,974,922	239,751,145	-10.2%
7213	21,009,424	40,522,728	54,638,662	29,381,812	24,134,064	20,790,960	29,467,039	41.7%
7220	34,341,464	72,376,326	94,111,316	88,481,638	48,230,007	64,850,227	87,414,187	34.8%
Subtotal	552,146,033	916,931,135	1,107,817,177	1,138,636,719	1,129,246,061	1,211,459,382	1,284,159,849	6.0%
All Other	195,007,811	453,427,316	525,854,460	492,511,194	391,694,253	482,692,560	720,981,501	49.4%
Total	747,153,844	1,370,358,451	1,633,671,637	1,631,147,913	1,520,940,314	1,694,151,942	2,005,141,350	18.4%

Manufacturing Jobs as Compared to 2002(Index of 100)(5)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
CA	99	91.4	87.8	87.2	89.1	91.9	93.5	95.1	95.4	98.4	102.7	100.9	100	100.2
US	116.1	112.1	110.2	110.3	111.7	113.3	113.2	114.1	115.1	113.3	113	107.8	100	95.4

Manufacturing Jobs increased 1.3% 1993-1994 and 1.4% 1994-1995