

# **The Extent and Limitations of the North American Alliance System**

By Hayley Anderson

## **Introduction**

The three largest countries in North America- the United States, Mexico, and Canada- share more than two centuries of a dense and varied diplomatic history, defined by contentious land disputes, strict economic protectionism, and from time to time, cooperation on topics of mutual interest. The relationship expanded significantly with the creation of the North American Free Trade Agreement, or NAFTA (in Spanish, Tratado de Libre Comercio de América del Norte; in French, Accord de libre-échange nord-américain). The document was signed in 1994, creating a trilateral trade bloc in North America and the largest area of free trade in the world.

Today, NAFTA encompasses a North American economy with a combined output of USD \$17 trillion, and a population of 444.1 billion (NAFTA, 2016). While NAFTA seems to have had an overall positive effect on all three countries' GDPs and has helped modernize the economies of Canada and Mexico, the extent of the agreement's actual benefit in the United States remains up for debate (Gandel, 2016).

When studying the North American relationship, many economists and scholars focus solely on NAFTA and its economic impact. In reality, however, NAFTA is embedded in a North American system of political and diplomatic relations that spans beyond the agreement, and the agreement created a framework to make progress on issues of mutual importance outside of free trade.

Recent trends toward populism and protectionism in the United States, as well as competition from outside economic powers like China, will threaten the North American alliance system. The future of the relationship will depend on North American leaders' abilities to bolster market interactions, coordinate responses to international crises, and work respectfully on topics of mutual interest.

## **I. History**

Instead of a three way alliance across the North American continent that stays consistent over time, there exist four changing bilateral and trilateral partnerships that vary in degrees, methods, and topics of cooperation: the United States-Canada relationship, the United States-Mexico relationship, the Canada-Mexico relationship, and the full, trilateral relationship. It was not until the mid-20<sup>th</sup> century that strong relationships developed through economic, diplomatic, and military cooperation and a North American alliance system began to take shape.

### *United States-Canada Relations*

The historical relationship between the United States and Canada (known before independence as the British North American Provinces) was fraught with a series of contentious land disputes in what is the present day American Northeast and Pacific Northwest. For this reason, economic engagement with the United States was a hotly debated partisan issue in Canada for a large part of the 20<sup>th</sup> century, with the Conservative Party supporting traditionally protectionist policies, and the Liberal Party advocating for freer trade. Except for military and economic cooperation in the First and Second World Wars, the United States and Canada were not able to negotiate any official trade partnerships until 1965, when the two developed the Canada-U.S. Automotive Products Agreement (also known as the Auto Pact). The agreement was quite expansive, as it created a single North American market for passenger cars, trucks, buses, tires, and auto parts and established a basis for a U.S.- Canada trade relationship (Crane, 2006).

The Auto Pact created economic and political momentum for a more comprehensive free trade agreement between the United States and Canada (Mapi, 2014). Despite strong opposition from Canada's two major political parties, Canadian Prime Minister Brian Mulroney initiated negotiations with United States President Ronald Reagan for what would become the Canada- United States Free Trade Agreement (French: Accord de libre-échange), or CUSFTA, in 1986. By 1988, delegations from the United States and Canada signed the agreement, comprehensively eliminating barriers to most trade industries and creating incentives for cross-border investment (Government of Canada, 2016).

In the years that followed CUSFTA, the American and Canadian economies became increasingly intertwined. Canadian exports to the United States rose from about 25 percent of Canada's GDP through most of the 20<sup>th</sup> century to almost 50 percent in 2000 (Mapi, 2014). Though to a lesser extent, the United States also benefited from having freer access to the Canadian market, especially in the energy, auto manufacturing, and agricultural sectors.

CUSFTA, it turns out, had more than economic impacts. The free trade agreement between the United States and Canada was the first demonstration of global free trade outside of the European Union. It would become a model for the free trade deals that would proliferate between the United States and its global partners over the next 25 years.

### United States-Mexico Relations

In its trade and diplomatic relationship with Mexico over the last two centuries, the United States encountered many of the same obstacles to engagement as in its relationship with Canada: struggles over disputed land, adverse economic protectionism, and mistrusting nationalist governments that were reluctantly willing to cooperate based on their mutual need to remain competitive in the international order. More than with Canada, however, the U.S.- Mexican relationship runs deep with antagonism, exploitation, and unilateralism (Keller, 2016). Both countries still struggle to overcome their legacy of geopolitical tensions.

Upon achieving independence from Spain in 1821, the new Mexican government inherited a country with decentralized political leadership and a host of land disputes surrounding the United States' southwestern border (Keller, 2016). The series of small territorial conflicts between the neighboring countries culminated in the bloody and imbalanced Mexican American War (known in Mexico as the North American Invasion), which ended with the U.S. conquest of 55 percent of Mexican territory. This gave the U.S. possession of three current states: Texas, California, and Utah, as well as parts of Colorado and Wyoming. Physical and diplomatic battles between the two countries lasted bitterly until 1853, when the U.S. made the Gadsden Purchase and secured its ownership of present-day southern Arizona and southwestern New Mexico (Frazier, 2006). A majority of Mexicans living in these territories decided to stay in their homes and gained American citizenship, making Mexican-Americans one of the largest minority populations in the United States and a critical group involved in settling and developing the southwest part of the country.

For a large part of the 20<sup>th</sup> century, the United States and Mexico maintained a distant, if not unfriendly, diplomatic relationship. Each country fortified its borders and focused on internal nation-building, but relied on one another for labor, natural resources, manufacturing, and infrastructural investment. Additionally, the two governments played important but contradictory roles in one another's military engagements: for example, the United States acted as a safe haven for key Mexican rebels during the Mexican Revolution (1910-1920), but invaded Mexican territory with the goals of occupying the Port of Veracruz to protect its favorable trade position and capturing the revolutionary hero Francisco "Pancho" Villa. This led the Mexican government to break its "neutrality" during World War I by entering into secret collaboration with German Secretary of State, Arthur Zimmerman.

Cooperation between the United States and Mexico during the Second World War led the two neighboring countries to develop closer economic and diplomatic ties during the second half of the 20<sup>th</sup> century. This relationship, however, was and continues to be tainted by a history of ethically questionable immigration, economic, and labor market actions on the part of both Mexico and the United States.

### Canada-Mexico Relations

Historically, the diplomatic relationship between Canada and Mexico was relatively dormant between Canadian independence in 1866 and World War II, when the two cooperated on behalf of the Allied Powers. In 1968, the leaders of both nations set up a joint ministerial commission and agreed to meet every two years to discuss mutual interests and deepen their bilateral relationship; the partnership between Canada and Mexico resulted in the 1974 expansion of the Canadian Seasonal Agricultural Workers Program (SAWP), which currently allows about 8,000 Mexican workers to join the Canadian agricultural labor force every year (Basok, 2007). While the bilateral Canada- Mexico relationship appears extremely small in comparison to each country's association with the United States, the extent of the relationship is often masked by transactions between the two countries in which the United States is the common broker.

### The Trilateral North American Relationship

While official trilateral trade and diplomatic policies were not historically implemented before NAFTA, the United States, Canada, and Mexico have depended on one another in small and informal ways throughout their history, often leveraging bilateral relationships on the continent to meet their goals. The relations between all three countries, in trade and other sectors, escalated astronomically after the development of the North American Free Trade Agreement, the first agreement of its kind in the western hemisphere.

## **II. Development of NAFTA**

The conception of a North American Free Trade Agreement fundamentally changed the dynamics of the historical trilateral relationship between the United States, Mexico, and Canada. When negotiations first began under George H.W. Bush in January of 1990, the trade deal was intended to be a bilateral one between the United States and Mexico (Hoover Institute, 2014). The United States signed CUSFTA in 1988, and hoped that a similar agreement with its southern neighbor would cause it to open its protectionist economy to foreign trade and investment, as Mexico was seen as both a promising new market for U.S. exports and a lower cost investment location with high economic potential (McBride & Sergie, 2016).

The bilateral U.S-Mexico agreement was on a deadline through President Bush's Fast Track authority, when Canadian Minister of International Trade, John Crosbie, called the American and Mexican negotiators to request that Canada be included in the agreement (Boskin, 2014). Plans for the original bilateral agreement were canceled and in February 1991, U.S. President George H.W. Bush, Mexican President Carlos Salinas, and Canadian Prime Minister Brian Mulroney issued a press announcement of their intent to negotiate a trilateral deal. The decision to pursue a North American free trade arrangement was an unprecedented push for economic integration between two highly developed countries, the United States and Canada, and a developing country, Mexico.

Once the agreement was negotiated, debates took place in each country as to whether or not it would pass into law. Political opposition to the agreement in Mexico and Canada centered on a fear of Americanization. In a 2014 interview, Canada's prime negotiator, Michael Wilson, recalled that Canada feared losing its economic sovereignty to the United States, which is about 10 times larger in both GDP and population (Boskin, 2014). Mexican representatives cited a fear that their country was being "sold out" to the United States, which had historically abused Mexico's natural resources and low-wage labor force for cheap agricultural and manufacturing production (Hoover Institute, 2014). Additionally, Mexico feared the

economic ramifications of opening its traditionally protectionist manufacturing industry, which would need to experience an enormous overhaul in order to meet the terms of the agreement.

Ultimately, Mexico and Canada prioritized access to the market of their number one trading partner and, by almost any measure, the largest economy in the world. Both saw this trilateral partnership as an opportunity for market expansion and to move toward modernized economies.

Bush and his team were bitterly constrained by domestic interest groups that opposed global free trade because of its apparent negative implications for labor and environmental protection. Specifically, opponents of NAFTA feared that wage differentials with Mexico would send U.S. jobs abroad and allow companies to evade U.S. worker safety regulations (McBride & Sergie, 2016). Ross Perot fueled this argument by stating that trade liberalization would lead to a “giant sucking sound” of American jobs to Mexico. Environmental organizations presented strong arguments to allege that NAFTA would increase pollution and decrease opportunities for the government to regulate high waste-producing industries (Smith, 1993).

After a long and emotional debate, the United States House of Representatives passed the North American Free Trade Agreement Implementation Act on November 17, 1993, with 234 voting for the agreement (102 Democrats and 132 Republicans), and 200 voting against it (GovTrack, 1993). NAFTA was ratified on December 8, 1994 and went into effect on January 1 of the following year, creating the first official trilateral agreement between the North American powers, and the largest trade deal of its kind anywhere in the world.

### **III. The Meaning of NAFTA**

The North American Free Trade Agreement was implemented on January 1, 1994, with the primary goal of eliminating tariffs and non-tariff barriers between the U.S., Mexico, and Canada. The agreement has eight parts and 22 total chapters that cover the legal guidelines of the trilateral relationship on the topics of: trade in goods, customs procedures, intellectual property, energy and petrochemicals, and agriculture.

#### *Trade in Goods and Customs Procedures*

Chapters 2 through 5 of NAFTA cover the market side of the agreement, including: national treatment and market access for goods, tariff elimination, non-tariff barrier elimination, and customs procedures. By the time North American leaders signed NAFTA, most of U.S.- Canadian trade was already duty free. For that reason, the primary immediate result was the elimination of tariffs on over half of exports from Mexico to the U.S., and one third of U.S. exports to Mexico. Chief negotiator for the United States, Carla Hills stated that, “after negotiations, the agreement achieved broader and deeper business openings than any prior trade agreement” (Hoover Institute, 2014). The signing of this agreement created the largest trade bloc in the world.

#### *Intellectual Property*

Chapter 17 of NAFTA represents the first holistic agreement on international intellectual property rights. It states that “each party shall provide in its territory adequate and effective protection and enforcement of intellectual property rights, while ensuring that measures to enforce intellectual property rights do not themselves become barriers to legitimate trade” (OAS, 2016). In practice, this set minimum standards for upholding intellectual property rights (which include copyrights, trademarks, trade secrets, logos, and patents) and allowed individual countries to build upon those protections. Prior to NAFTA, different standards of intellectual property inhibited the willingness of companies to work in other North American countries. The establishment of baseline intellectual property rights has allowed more engagement between U.S., Canadian, and Mexican firms.

## Energy and Petrochemicals

Chapter 6 of NAFTA, which covers energy in the trilateral relationship, is noticeably not comprehensive. This portion of the agreement removes import and export restrictions on trade in energy and basic petrochemical goods, but only applies to the United States and Canada. In practice, this portion of the agreement has led to a significant interdependence in bilateral energy consumption and trade. Canada and the United States are now one another's largest import and export partner in energy trade (EIA, 2016). In 2015, the United States imported an average of 9.4 million barrels of crude oil per day, 40 percent of which came Canada. Crude petroleum is also Canada's biggest export, making up 19 percent of total exports (OEC, 2016a).

Mexico excluded itself from this portion of the agreement, as its constitution restricted foreign participation in its energy and petroleum sector until Mexican President Enrique Peña Nieto successfully passed an amendment to change it in 2013. While Mexico has not effectively entered into this part of the trade arrangement, its contributions to the North American energy sector are still significant. Mexico's oil and petroleum make up about 9 percent of the country's total exports; the products of this industry are exported most to its North American trade partners, the United States and Canada (OEC, 2016b). Because Mexico and its allies are not preferential partners in oil trade, however, Mexico has recently decided to increase its presence in the East Asian and Southern European markets; its exports to the United States have fallen 18 percent since July 2015 (Smith, 2016).

## Agriculture

Agreements relating to agriculture are covered in Chapter 7 of NAFTA. This segment essentially removes all restrictions on trade of agricultural products between the United States and Mexico over a period of 14 years (all restrictions were lifted by January 1, 2008) (USDA, 2008). Just as Mexico refrained from partaking in the opening of its energy sector, Canada declined to be a part of an unrestricted agricultural trade relationship through NAFTA. Instead, it maintains separate bilateral agricultural trade agreements with both the United States and Mexico. The U.S. and Canada uphold the agricultural provisions set out by the U.S.- Canada Free Trade Agreement (CUSFTA) in 1988, which removed tariffs affecting all agricultural trade between the U.S. and Canada, with the exception of a few items covered by tariff-rate quotas. Canada and Mexico came to a parallel bilateral agreement on market access for agricultural products; under this agreement, most tariffs between the two countries were lifted within 15 years.

## Labor: Side Agreement (NAALC)

Negotiators incorporated two parallel agreements to NAFTA, one dealing with labor regulations and another addressing environmental issues. These arrangements were negotiated with the primary purpose of limiting the anxieties of (primarily domestic American) public interest groups that protested the move toward globalization.

The North American Agreement on Labor Cooperation (NAALC) was negotiated in parallel with the larger North American Free Trade Agreement in order to create employment opportunities, enhance global competitiveness, and protect basic workers' rights across partner countries in North America. The document established a Commission for Labor Cooperation that consists of a Ministerial Council and a Secretariat (NAFTA Now, 2012). According to NAFTA's website, current programs for labor cooperation focus on occupational safety and health, employment training, and workers' rights.

## Environment: Side Agreement (NAAEC)

The North American Agreement on Environmental Cooperation (NAAEC) commits the United States, Mexico, and Canada to taking certain steps to protect the environment. Obligations for each partner country include monitoring environmental degradation, promoting environmental education, furthering scientific research on environmental matters, and enforcing domestic and regional environmental regulations (NAFTA Now, 2012). NAAEC created a mechanism for any person or organization to report an alleged breach to this arrangement, and uses the same enforcement mechanisms as in the commercial side of the agreement.

### Immediate Political Reactions

The battle to pass NAFTA was won, not in accordance with, but in spite of public opinion in all three nations. With that, the process of gaining approval for the agreement after it came into force was a challenging one as well.

Formalizing the U.S.-Canada-Mexico trilateral alliance system through the North American Free Trade Agreement is often seen as fitting into larger trend following the Cold War: North American countries largely abandoned their protectionist economic policies and expanded the liberal international order by negotiating initiatives like the Kyoto Protocol, International Criminal Court, North Atlantic Trade Organization, and World Trade Organization. Many thousands of concerned citizens, such as those represented by the labor and environmental groups described previously, felt that their values and visions of the future were left out of these international negotiations. Their resentment manifested itself in anti-globalization movements throughout the 1990s (McCormick, 2012). Protests against the WTO meeting in 1999, though much larger, represent the same interests as those fighting against NAFTA five years prior.

The anti-globalization sentiment changed, at least briefly, after the tragedy of September 11, 2001. President George W. Bush was able to galvanize public concern about a security threat to renew the perceived public need for an organized world order, and therefore, the need for NAFTA (McCormick, 2012).

## **IV. Impacts**

Twenty-three years after NAFTA was signed, it is clear that the removal of trade barriers between the United States, Mexico, and Canada, had mixed impacts and created big-time winners and losers. On the whole, regional trade increased sharply in the agreement's first two decades from approximately \$290 billion in 1993 to over \$1.1 trillion in 2016 (McBride & Sergie, 2016). NAFTA contributed to the development of the cross-border supply chain, lowered costs of manufacturing, and increased the region's competitiveness among partner countries and in business dealings across the world. The agreement, however, favored big businesses that were able to be competitive in the continental market; job losses were heavily concentrated among small farmers, ranchers, and manufacturers within Mexico and the United States.

### Results for Mexico

Mexico, the smallest economy of the trilateral agreement, stood the most to gain from wider access to the larger and more diversified economies of the United States and Canada (Boskin, 2014). The agreement brought an end to the near 100 percent import licensing requirement and began Mexico's transition toward an export-driven, industrialized economy that welcomed high levels of foreign investment. These moves undeniably modernized the country's economic system, and created hundreds of thousand jobs in the manufacturing industry (McBride & Sergie, 2016).

While Mexico's GINI index<sup>1</sup> has fallen steadily in the years after NAFTA, the benefits have been concentrated in the middle class. Between 1993 and 2013, Mexico's economy grew at an unsteady rate, averaging at just 1.3 percent per year and drove up unemployment among small farmers, encouraging legal and illegal immigration to the United States (a trend that peaked in 2007) (World Bank, 2017; Gonzalez-Barrera, 2015).

NAFTA may have also had an unanticipated impact on the Mexican political system. With the opening of Mexico's highly protectionist economy, generally falling poverty levels and corruption indicators have led many experts to believe that formalizing the trilateral alliance system created the conditions for Mexico's unexpected transition to a multiparty democracy. In theory, NAFTA created the circumstances that allowed the peaceful transition of power from Mexico's Institutional Revolutionary Party (PRI), which dominated government since 1929, to the opposing National Action Party (PAN), in the historic 2000 presidential election (Hoover Institute, 2014).

### Results for Canada

Canada had a very high tariff wall before CUSFTA and then NAFTA, which prevented competition and stifled innovation. The opening led to an enormous wave of foreign direct investment, which grew from \$110 billion in 1993 to \$346 billion in 2016, with about the same amount being accrued through exports (McBride & Sergie, 2016). By far, the most expanded industry is in agricultural trade with the United States.

Despite these positive cash flows, Canada has not been able to quite catch up with its southern neighbor in manufacturing or production. Canada's manufacturing employment did not significantly change after NAFTA, and the "productivity gap" between the United States and Canada has remained at a steady 72 percent throughout the duration of the agreement (McBride & Sergie, 2016).

### Results for the United States

Economists generally agree that the United States gained a modest economic boost after the creation of NAFTA, including a 0.5 percent increase in GDP and \$80 billion in additional trade surplus. Supporters estimate that as many as 14 million jobs rely on trade with Canada and Mexico (McBride & Sergie, 2016). These positive impacts, however, are not widely felt in the United States; under this agreement, costs are highly concentrated in specific industries, such as manufacturing and small-scale agriculture, while benefits are spread thinly across society.

Many critics in the United States blame NAFTA for sending jobs overseas and stagnating wages in the American manufacturing sector, which lost approximately 6 million domestic jobs between 2000 and 2010 (Meltzer & Bahar, 2017). It is difficult to separate these trends from global changes to the industry, however, as the rising competitiveness of the Chinese manufacturing sector and increased technological automation also play a large role in the loss of domestic U.S. manufacturing jobs.

### Trade Balance

The United States is still the largest economy of the North American partners and maintains a trade surplus with Canada and Mexico in most categories of goods and services (World Bank, 2016). Where the United States falls short is in balancing its enormous importation of fossil fuels and their byproducts from other NAFTA countries. This resulted in the annual cost of U.S. imports from Canada and Mexico exceeding the

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<sup>1</sup> The GINI index is a measurement of the net income distribution of a country's residents, which helps define the gap between the rich and the poor; an index of 0 represents perfect equality, while an index of 1 represents perfect inequality.

value of U.S. exports by an average of \$39 billion and \$34 billion, respectively, since 1994 (U.S. Census Bureau, 2016). The Office of the United States Trade Representative claims that these high levels of imports from NAFTA countries “have increased the competitiveness of American businesses” (USTR, 2016).

### Immigration and Mobility of People

While not officially in the agreement, immigration and the mobility of people between NAFTA partner countries is a large part of the trilateral relationship. For one, NAFTA led to the creation of the nonimmigrant NAFTA Professional (TN) visa, specifically for citizens of Canada and Mexico to live and work in the United States, as long as they have arrangements for full-time or part-time employment with a U.S. company in one of 62 designated professions (ranging from Landscape Surveyor to Librarian) (U.S. Department of State, 2017). Unlike the H-1B visa, there is no annual cap on the number of TN visa recipients. This allowed for more legal admission of immigrants from NAFTA partners into the United States. In 2002, the United States admitted 219,380 Mexican citizens as immigrants, making Mexico the country of origin of the largest number of legal entrants into the United States at 20.6 percent of total admissions. In the same year, the United States admitted 19,519 Canadians into the United States, representing only about 1.8 percent of total legal admissions (Meyers & Jachimowicz, 2003).

Illegal immigration from Mexico to the United States grew significantly under NAFTA as well, as small-scale Mexican farmers suffered from the removal of their government’s trade protections in 1994. The trend peaked in 2007, when approximately 12.8 million Mexicans were living in the United States illegally (Gonzalez-Barrera, 2015). Since the great recession, the net migration to and from the United States has been negative, with a total loss of 140,000 undocumented people in the United States between 2009 and 2014. Management of border security is a contentious issue in the North American relationship.

## **V. The Limitations of North American Community Development**

It is important to note that, in practice, the trilateral North American alliance system extends further than the open economic engagement framework created by NAFTA. The relationship created a precedent for geopolitical cooperation on mutual interests other than trade. For example, NAFTA partner countries played a large role in securing the United States’ borders after the September 11 terrorist attacks in 2001 and in delivering aid after Hurricane Katrina.

This cooperation, however, is limited in scope. While there is a potential for more social, environmental, and diplomatic cooperation, NAFTA partner leaders, including Presidents George W. Bush and Barack Obama, showed a reluctance to move the trilateral relationship toward any further institutional cooperation to meet these goals. For example, the influential 2005 task force report entitled *Building a North American Community* is a trilateral publication sponsored by the U.S. Council on Foreign Relations that primarily addresses North America’s vulnerabilities (i.e., terrorism, security threats, and domestic inequality). Despite its nominal focus on the “North American community,” the report refutes the idea of creating “shared bureaucratic schemes of confederation or union,” in the interest of maintaining a strict sense of national sovereignty (Council on Foreign Relations, 2005). In fact, politicians and public interest organizations in the United States, Mexico, and Canada have explicitly stated a goal of avoiding a European Union model (Clarkson, 2008).

Reflecting the United States’ reluctance to build a continental framework for cooperation, the three NAFTA partners have exhibited a reluctance to move past “dual-bilateral relationship” model, where the United States acts a common ally rather than an equal partner in a trilateral relationship. For example, there are two separate programs for expedited border crossing in North America, one for citizens of the United States and Mexico (called “NEXUS”) and one for citizens of the United States and Canada (known as “SENTRI”), but no program that eases border passage for the entire North American continent (Council on Foreign Relations,

2005). Beginning in 2005, American, Canadian, and Mexican heads of state tried to address this disjointedness by holding an annual North American Leader's Conference (Sands, 2016); while symbolic, the summit has not led to any new meaningful trilateral action on issues of mutual importance.

## **VI. NAFTA Today**

While NAFTA has come up as a point of contention in every United States presidential election season since its conception, 2016 was particularly damaging. President-elect Donald Trump expressed strong resentment toward NAFTA during his campaign, calling the agreement "the single worst trade deal ever approved" (Severns, 2016). Trump and his supporters also repeated continual disapproval of the North American alliance system, and at times, made blatant verbal attacks on Mexico and its people.

Following Trump's inauguration in 2017, the President stated that he intends to open the deal for renegotiation. Many experts have attempted to evaluate what the effects of a renegotiation might be. In the least invasive scenario, Trump will only attempt to make minor alterations to the body of the agreement. Prior to the inauguration, for example, President Trump's transition team backpedaled on his promise to "tear up" the trade deal. Anthony Scaramucci, a senior advisor on Trump's team, recently reinterpreted the meaning of Trump's campaign promise. He said, "I don't think we're looking to rip NAFTA up as much as we are looking to right-size it and make it fairer. I don't think anybody in the administration is looking for protectionism. We know the harm and impact that would take" (Bolton, 2016).

Trump's adamancy on the campaign trail and after the election (renegotiating or withdrawing from NAFTA is on the top of Trump's list of priorities for his first 100 days in office, and Trump has been rumored to be drafting an executive order on the issue) suggests that he plans to take more dramatic steps to dismantle the trade agreement. If the United States withdraws, it will not only lose free access to its two largest export markets, but also the support of its two strongest trade and diplomatic allies. In anticipation of increased U.S. protectionism, both Canada and Mexico have developed free trade agreements and oil partnerships with U.S. competitors in the European Union, Asia-Pacific, and the Middle East (Marsden, 2016).

Mexican and Canadian leaders realize the strong possibility of a policy change and have expressed a willingness to work with the new administration to renegotiate the terms of the North American alliance system. Canadian Prime Minister Justin Trudeau and Mexican Economy Minister Ildefonso Guajardo both stated that they are "open to talking" (Geewax, 2016). Both countries, however, have economic leverage and a strong interest in strengthening NAFTA, not picking it apart.

The move to "terminate" or "entirely renegotiate" NAFTA, as the president suggested, will likely also cause anger among domestic companies and industry stakeholders that benefit from freer trade. Canada, for example, is in the top four export markets in nearly every one of the 30 states that voted for Donald Trump, and number one in 23 of them (Marsden, 2016). If Trump decides to pursue high-level renegotiation of the agreement, he should expect a tense political battle, especially if Canada and Mexico are able to activate their partners in those states.

Regardless of whether or not there are substantial changes to the agreement, the general rise of populist, isolationist, and xenophobic sentiments across North America will constrain the trilateral relationship. Mexican President Peña Nieto stated that many of Trump's broad campaign assertions (such as wanting to border wall and labeling many Mexican immigrants "rapists and criminals") "regrettably hurt and affected Mexicans" (Collins & Diamond, 2016). It is difficult to imagine that these statements, and similar statements since Trump's election, will not strain the diplomatic relationship that the United States and Mexico have spent a century building.

## VII. Conclusion

The North American alliance system is historically contradictory and followed a similar pattern. Primarily through parallel bilateral relationships (Canada- U.S. and Mexico- U.S.), the three countries have swung from long periods of isolationism and protectionism, to moments of economic and diplomatic openness. NAFTA has definitively facilitated a prolonged stretch in the latter direction, causing the North American political economy and each country's population to veer closer together, entering the 21<sup>st</sup> century on a distinct path toward high growth and modernization.

After over 20 years of trilateral trade and diplomacy that have benefitted the United States, Canada, and Mexico in many ways, it is surprising that the three countries have not seized on other opportunities to collaborate meaningfully on issues of mutual interest. It seems reasonable to believe that the trade partners and continental neighbors would find more place to strike deals, perhaps on environmental protection, energy independence, immigration or the multinational war on terror.

The opposition to such cooperation, however, is growing larger and louder. In the two decades NAFTA's conception, those that lost from the agreement have not given up their protest; NAFTA is being blamed for larger trends that alter the labor force, such as the rising demand for high rather than low-skill labor, increased mechanization of work, and the compounding threat of the competitive Chinese manufacturing economy. To many, the 2016 U.S. presidential election acted as a referendum on free trade, and the result is fairly clear: instead of cooperation, the scale is tipping toward American isolationism and protectionism.

Even those that recognize the merits of the agreement are reluctant to tie NAFTA into a larger "North American community" that would be able to utilize its trilateral power to overcome threats and vulnerabilities, as listed above, in explicit opposition to becoming a European Union-like bureaucracy.

The U.S. election of Donald Trump, as well as larger global trends of protectionism and the rising competitiveness of China, will threaten NAFTA and the North American alliance system. The future of the relationship will depend on new a trilateral willingness to bolster each partner's competitiveness in the realm of trade and collaborate on topics of mutual importance.

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