

**N**orth  
**A**merican  
**F**ree  
**T**rade  
**A**greement



# What is “free trade”?



It means countries get rid of special taxes on imported products – stuff sold here, but made in other countries.

*Some import taxes are based on **how many** things you send over here.*

*FOR EXAMPLE:*

*The US government could charge a 51¢ tax on each wristwatch imported here from another country.*



*Other import taxes are based on how much money the product you send over here is worth.*

*FOR EXAMPLE: The US puts a 2.5% import tax on cars. So when you send a*



*\$20,000 Hyundai over here to sell, the US government collects \$500 in import taxes.*

Import taxes make foreign-made products a little more expensive. That's supposed to help our U.S.-made products sell better here than foreign-made products.

US Taurus: \$25,000

Japanese Camry: \$28,000



And it works both ways. When the U.S. ships products to other countries, they make us pay import taxes, too.



So if **everybody** is charging everybody else import taxes, why don't we **all** just stop charging and we all save money and hassle?



That's the idea of the **N**orth  
**A**merican **F**ree **T**rade **A**greement.





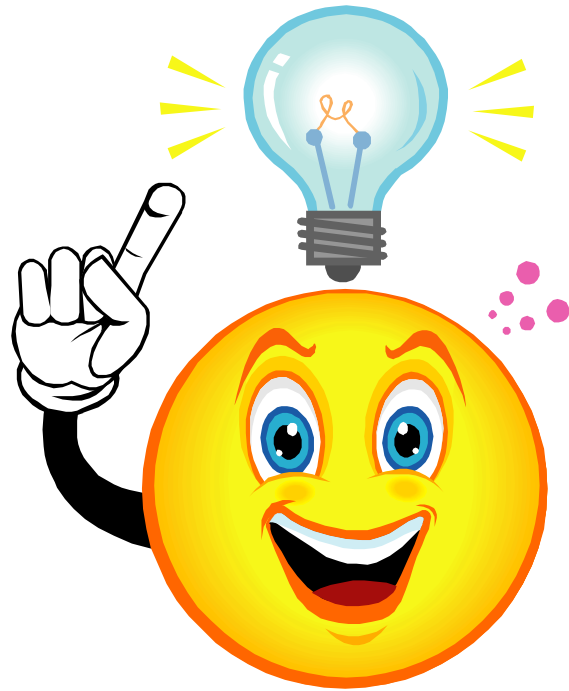
Mexico, the U.S., and Canada decided to get rid of import taxes between those 3 countries. They joined together to create the world's largest free trade zone.



NAFTA is a treaty under international law. It went into effect on January 1, 1994.



It sounded like a great idea. And some good things have happened.

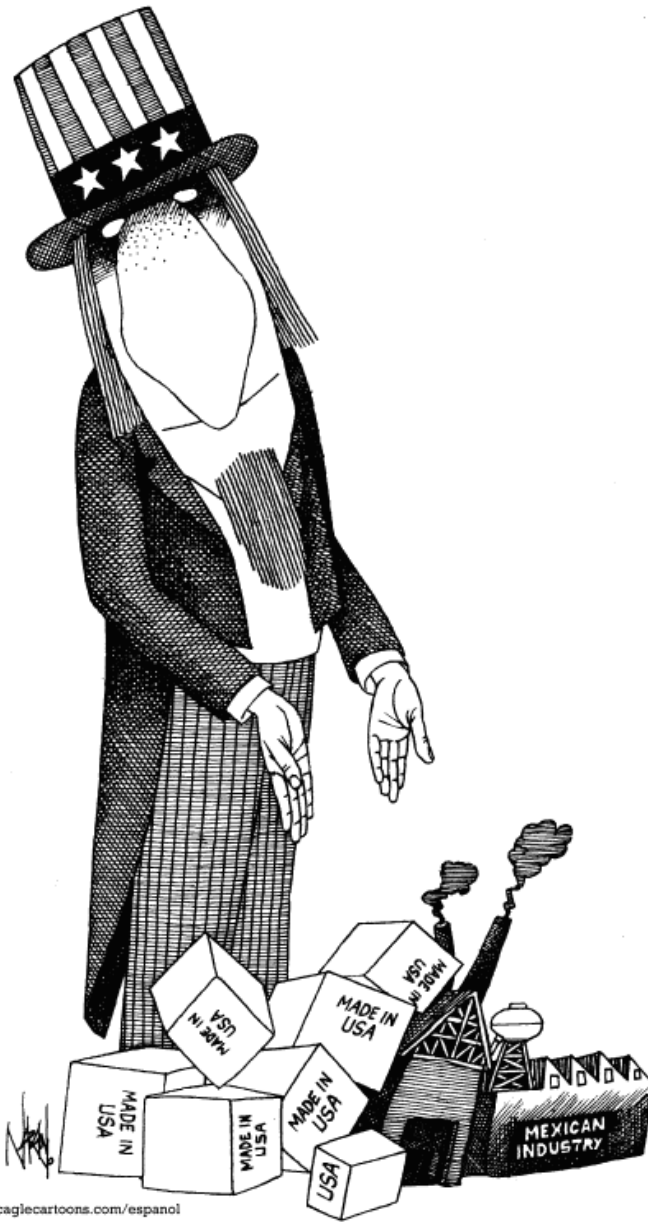


Most international companies really like NAFTA. Lower import taxes increase their profits.



But free trade is a complicated process. So there are also problems to solve.





[caglecartoons.com/espanol](http://caglecartoons.com/espanol)

Many Mexican companies **oppose** NAFTA because they can't compete with U.S. imports. U.S.-made items are often higher quality than Mexican-made items.

So Mexicans  
buy the U.S.  
imports  
instead of  
Mexican-  
made  
products.

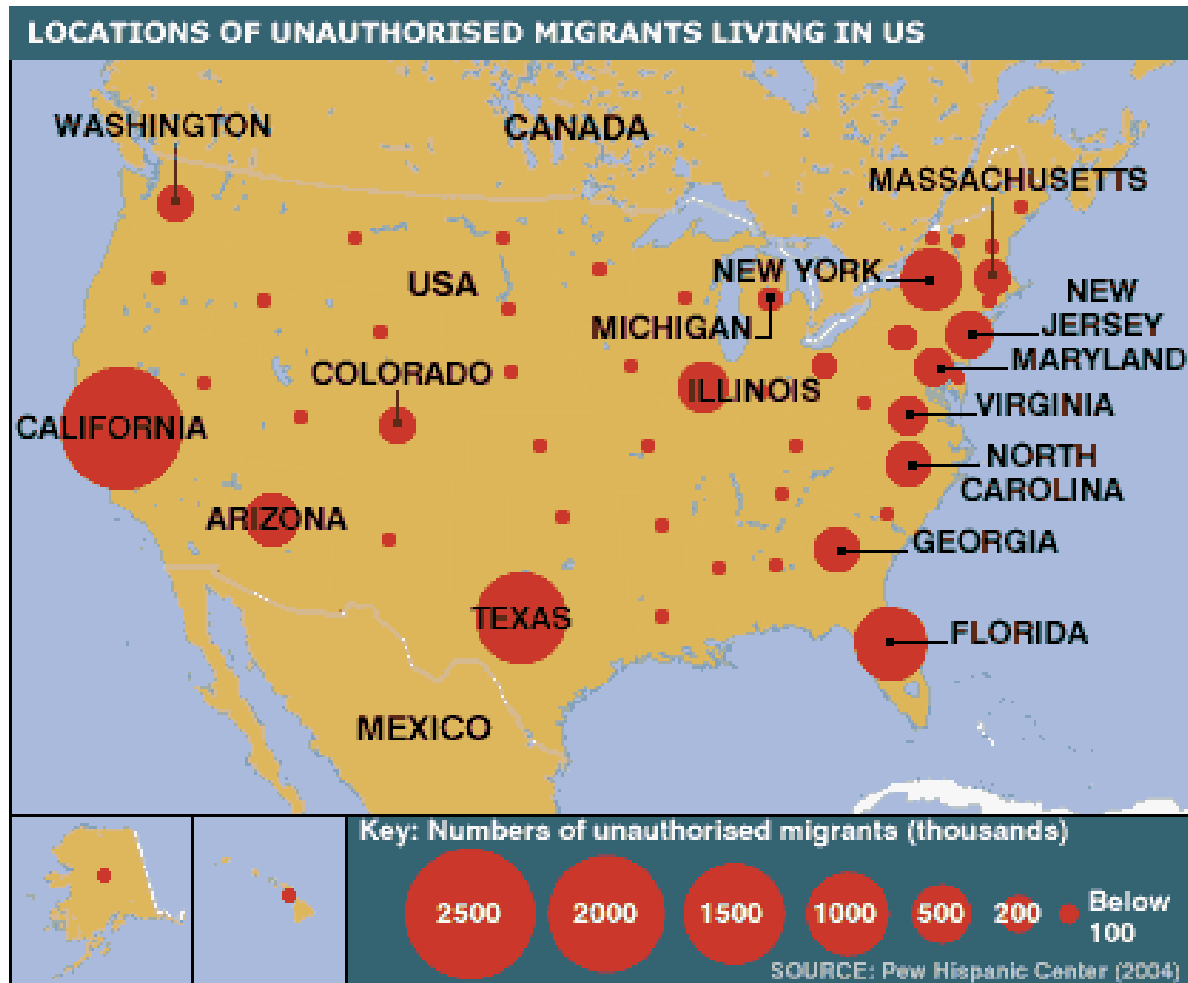




Thousands of Mexican corn farmers can't compete with cheap U.S. corn. They can't make a living anymore, and many are coming to the U.S. as illegal immigrants.



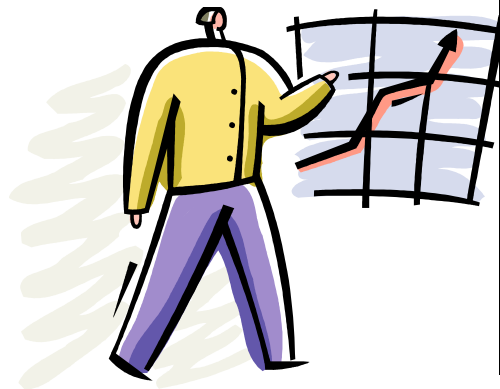
# Illegal immigration to the U.S. has actually increased since NAFTA began.



Labor unions in Canada and the U.S. oppose NAFTA. They see big companies taking jobs out of the US & Canada because they can do business cheaper in Mexico.



As a matter of fact, NAFTA was **supposed to create more jobs in Mexico for Mexicans.**



But most of this has happened only along the Mexico-U.S. border. These border factories are called **maquiladoras**.

houses  
(in the U.S.)

US-Mexico border

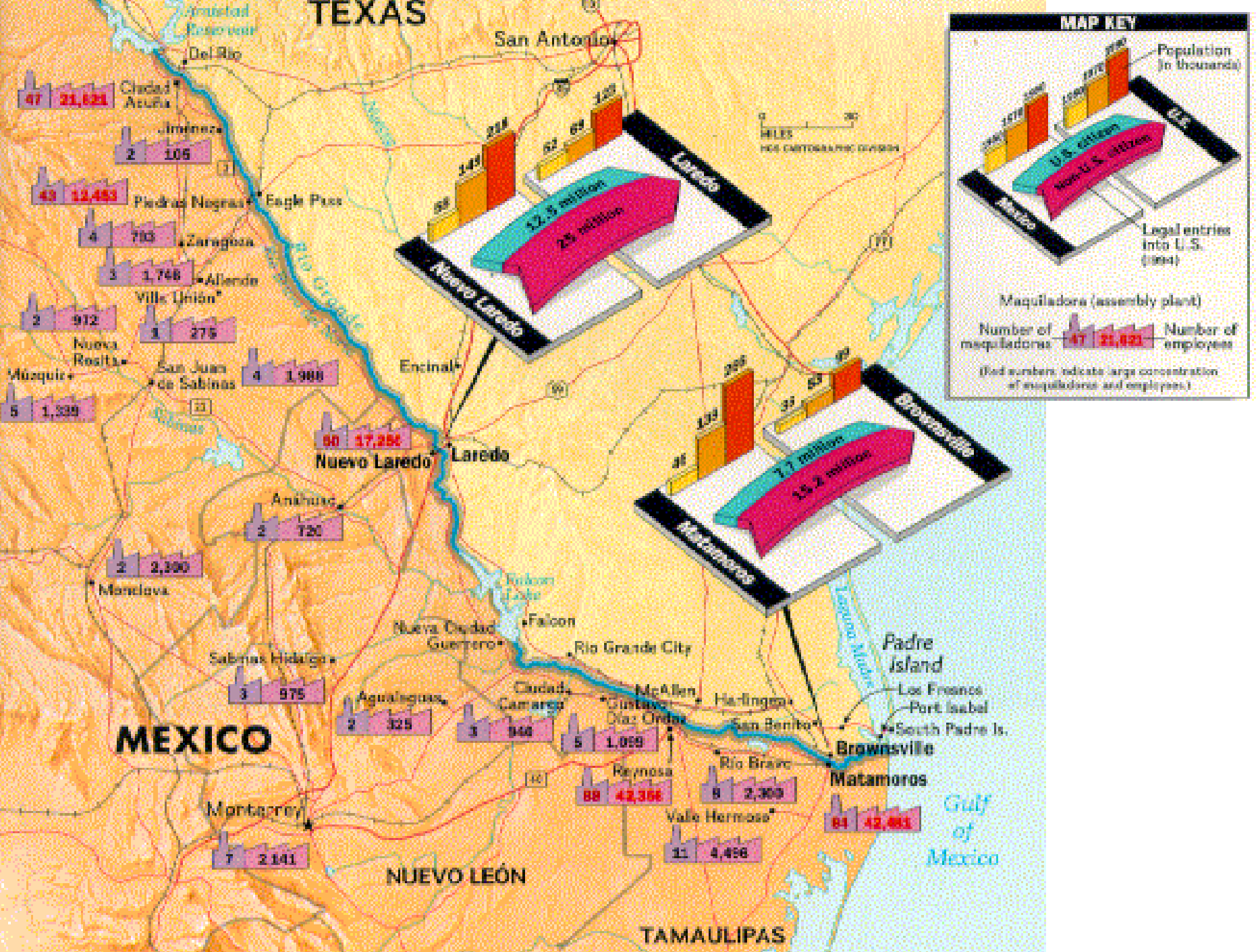
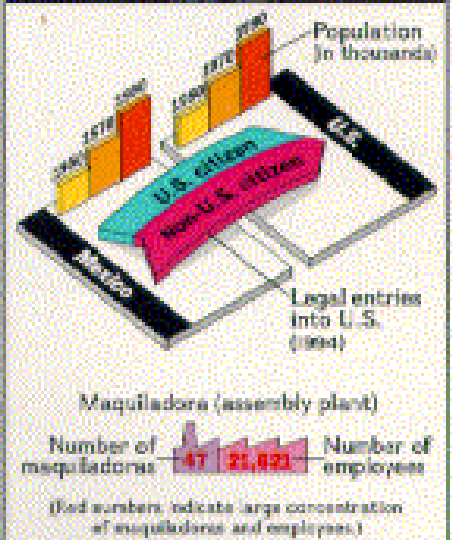


**maquiladoras**  
(in Mexico)

# TEXAS

Unpublished figures by the U.S. ...

## MAP KEY



Companies can pay employees less in Mexico, since work is harder to get there.

## Average factory wages:

United States	Mexico	China
\$136 / day	\$8 / day	\$3 / day

Source: Univ. of Wisconsin,  
<http://www.uwec.edu/geography/lvogeler/w188/border/maquil.htm>

And some companies have even left Mexico to move to Asia!

Mexico also does not have as many safety laws as the U.S., and that makes it cheaper for companies to run factories in Mexico.



Another attraction for companies to move to Mexico is that their environmental laws aren't as strict as ours. So they can pollute more,

which saves them money.

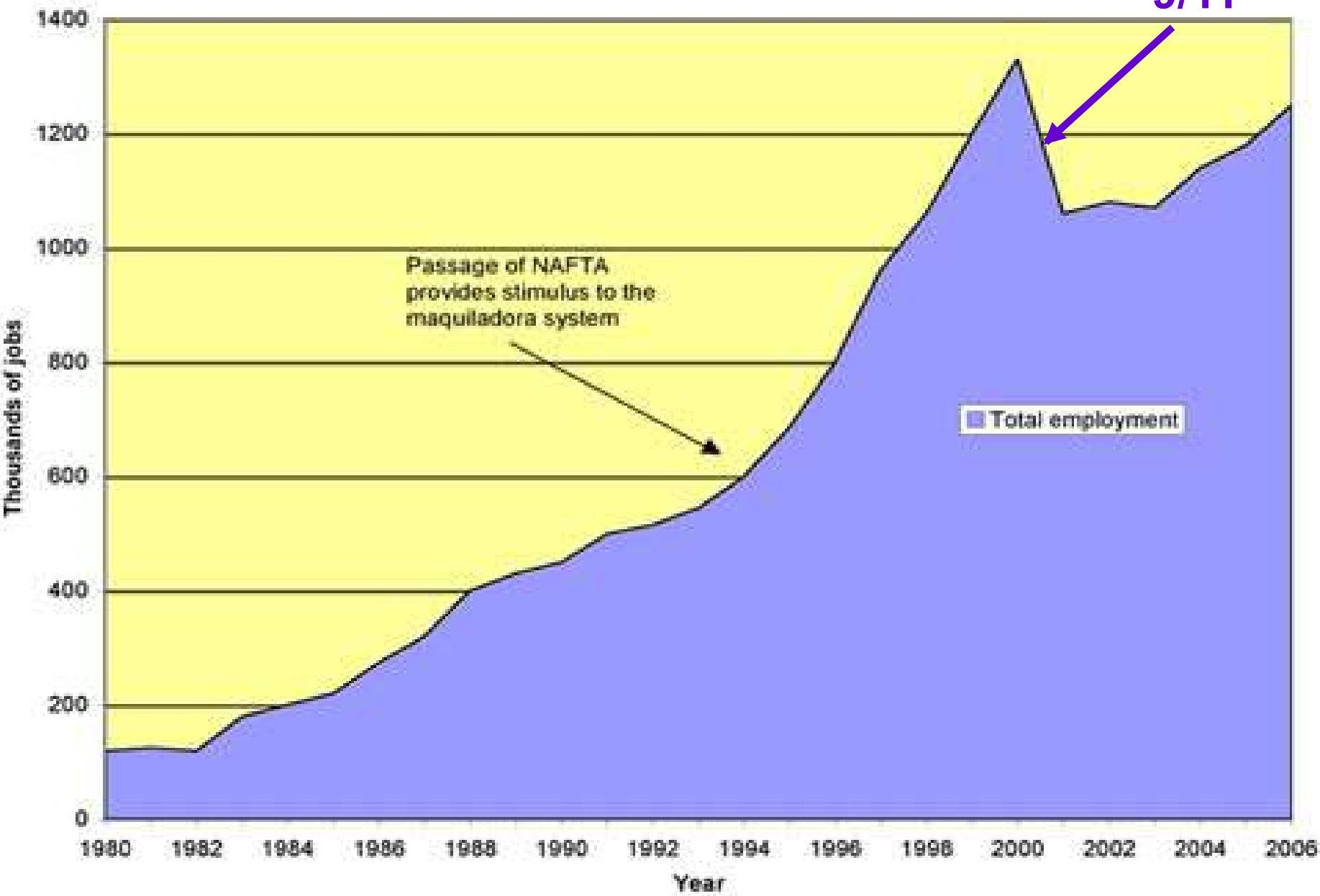


New River, Baja California

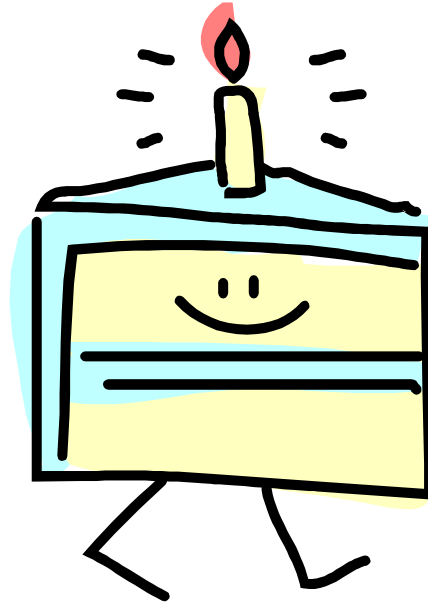


Chart 1: Maquiladora Employment, 1980-2006

9/11



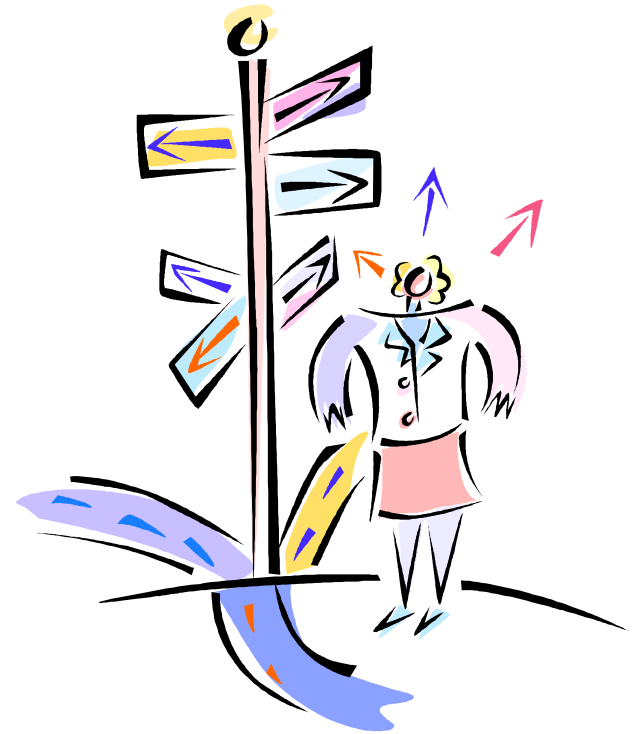
NAFTA is now almost 20 years old.



It guides us on the economics of  
free trade.

It does NOT guide us  
on how to protect

- ◆ worker salaries
- ◆ worker safety
- ◆ the environment



# Two decades later, we're still needing some good solutions to these concerns.

*Okay boys. When we gonna do somethin' about this?*



# Photo / Graphics Sources

- <http://www.eumed.net/cursecon/17/NAFTA.jpg>
- [http://inmuscatine.com/wp-content/uploads/2006/06/nafta\\_road.jpg](http://inmuscatine.com/wp-content/uploads/2006/06/nafta_road.jpg)
- <http://www.econedlink.org/lessons/EM50/images/northamerica.gif>
- <http://www.dfait-maeci.gc.ca/eet/research/nafta/site/images/fig-114-en.gif>
- <http://www.caglecartoons.com/viewimage.asp?ID={91F2D35E-7C7C-4F83-B7CD-887254DDCA68}>
- [http://www.monthlyreview.org/mrzine/MaquiladoraEmployment\\_S.jpg](http://www.monthlyreview.org/mrzine/MaquiladoraEmployment_S.jpg)
- <http://americancargoline.com/main.jpg>
- <http://webhost.bridgew.edu/jhayesboh/aztlan/flag-NAFTA-flag-logo.jpg>
- <http://www.worldpress.org/Americas/2910.cfm>
- [http://www.newfarm.org/international/pan-am\\_don/aug04/images/Oaxaca4.jpg](http://www.newfarm.org/international/pan-am_don/aug04/images/Oaxaca4.jpg)
- <http://www.tbrnews.org/Archives/a2307.5.gif>
- <http://www.uwec.edu/geography/lvogeler/w188/border/mex.gif>
- [http://www.beaconschool.org/experience/trips/mexico07/immigration\\_files/image013.jpg](http://www.beaconschool.org/experience/trips/mexico07/immigration_files/image013.jpg)
- <http://upload.wikimedia.org/wikipedia/commons/thumb/8/8a/Nrborderborderentrythreecolorsmay05-1-.JPG/400px-Nrborderborderentrythreecolorsmay05-1-.JPG>