

"NAFTA" as a Turning Point: A Critical Review of the Experiment's Failures and the Fate of Free Trade

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Received:04/10/2025

Accepted :28/10/2025

Published :21/01/2026

The North American Free Trade Agreement (NAFTA) promised economic growth and shared prosperity for the USA, Mexico, and Canada. However, a critical analysis reveals significant failures. Economically, the agreement widened developmental gaps, particularly between urban and rural areas, negatively impacting wages and employment. Socially, trade liberalization led to increased internal migration and labor displacement. Environmentally, the failure to enforce natural resource protection protocols led to increased pollution. Dispute settlement mechanisms also raised controversy by giving multinational corporations extensive powers.

This study examines these failures, focusing on their impact on labor, agriculture, and industry, particularly in Mexico, and discusses lessons for creating more fair and sustainable future trade agreements.

Key words: NAFTA; Mexico; free trade; future of free trade; regional trade agreements.

Jel Codes Classification :F13,F15,F44,F62.

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النافتا كنقطة تحول :مراجعة نقدية لفشل التجربة ومصير التجارة الحرة

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تاريخ النشر: 2026/01/21

تاريخ القبول: 2025/10/28

تاريخ الإرسال: 2025/10/04

وعدت اتفاقية التجارة الحرة لأمريكا الشمالية بنمو اقتصادي وازدهار مشترك، لكن تحليلها يكشف إخفاقات متعددة اقتصاديًا، زادت الفجوات بين المناطق الحضرية والريفية وأثرت سلبيًا على الأجور وفرص العمل. اجتماعيًا، أدت إلى زيادة الهجرة الداخلية وتدفق العمال نحو المناطق الحدودية، وأضعفت شبكات الأمان الاجتماعي بسبب المنافسة غير العادلة. بيئيًا، فشلت البروتوكولات في حماية الموارد الطبيعية، مما أدى إلى زيادة التلوث في المناطق الحدودية وانتشار الصناعات دون معايير صارمة. كما أثارت آليات تسوية النزاعات جدلاً بسبب منح الشركات متعددة الجنسيات سلطات على حساب السيادة الوطنية. تستعرض هذه الدراسة تأثير هذه الإخفاقات على العمل والزراعة والصناعة في المكسيك، وتناقش الدروس المستفادة لتصميم اتفاقيات تجارة حرة أكثر عدلاً واستدامة، مع التأكيد على ضرورة إعادة تقييم التكامل الإقليمي لضمان توزيع عادل للنمو الذي يراعي الأبعاد الاجتماعية والبيئية.

الكلمات المفتاحية: نافتا؛ المكسيك؛ التجارة الحرة؛ مستقبل التجارة الحرة؛ الاتفاقيات التجارية الإقليمية

تصنيف JEL: F13, F15, F44, F62

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Introduction

The North American Free Trade Agreement (NAFTA) came into effect on January 1, 1994, with the explicit promise of stimulating trade and investment and enhancing economic growth among the United States, Canada, and Mexico. The agreement was founded on the core premise that unrestricted trade liberalization would inevitably lead to shared prosperity for all the three member states. Yet, after more than two decades of its implementation, official data indicated that the net impact on the United States' Gross Domestic Product (GDP) was limited, despite an overall trade between the three partners that has increased from \$290 billion in 1993 to more than \$1.1 trillion in 2015 (M, Gullen, 2016).

Economically, NAFTA led to a significant increase in Foreign Direct Investment (FDI) in Mexico. It is estimated that the ten years following NAFTA, FDI in Mexico rose by approximately 70% (E, Aghion, 2011). However, the industrial sectors failed to redistribute benefits to the interior regions away from the northern border, exacerbating regional disparities. Furthermore, Mexico's agricultural sector lost over a million and a half family jobs due to the influx of subsidized American products into the local market, reflecting the agreement's limited capacity to protect vulnerable groups mainly small farmers.

Socially, NAFTA was associated with increased internal migration from rural to urban areas, particularly in Mexico, where families found themselves compelled to relocate in search of low-wage employment. In the United States, traditional mines and factories ceased operations, leaving behind pockets of unemployment in states like Ohio and Michigan, despite promises of job creation in export sectors (Arends-Kuenning et al., 2019).

The environmental aspects followed a similar pattern as that of the dimensions mentioned above. Indeed, pollution levels worsened in border areas known as the "yellow zone" following the proliferation of low-cost industries disrespectful of rules for emission and waste management standards. Although the North American Agreement on Environmental Cooperation (NAAEC)¹ was established as a side agreement, its ability to enforce environmental commitments proved limited, as measures remained largely voluntary and lacked effective punitive mechanisms.

This multifaceted experience raises a fundamental question: To what extent did NAFTA fail to fulfill its promises of equitable and shared prosperity? This issue adopts the following inquiry: To what extent did NAFTA fail to achieve its economic, social, and environmental objectives, and what lessons can be learned to design more equitable and sustainable free trade agreements?

This research employs a descriptive-analytical approach to review NAFTA's provisions and objectives, and a critical methodology to assess its failures based on specialized literature and reports. It applies a focused case study on Mexico to elucidate direct impacts, followed by inductive reasoning to derive general lessons on the design and implementation of free trade agreements.

Significance of the Study

The fundamental importance of this study lies in its provision of an in-depth and comprehensive critical assessment of the North American Free Trade Agreement (NAFTA), as one of the most prominent and controversial regional economic integration agreements on the international stage. This evaluation goes beyond mere descriptive narration to delve into the multidimensional impacts of the agreement, uncovering the complex dynamics that

governed its trajectories. Furthermore, the study aims to offer profound analytical insights into the structural challenges and inherent risks of free trade models that lack balance in the distribution of benefits and burdens among contracting parties, which may lead to adverse effects on sustainable development paths and social justice.

In this context, the study gains additional significance through its intellectual contribution to the ongoing academic and political debate on the necessity of reconsidering the foundations and principles of international trade agreements, and advocating for the adoption of more equitable, fair, and sustainable regulatory frameworks that take into account social and environmental dimensions alongside purely economic considerations.

Finally, deriving lessons from NAFTA's long and complex experience represents an essential added value, as it can serve as a valuable knowledge and methodological reference for both developed and developing countries when engaging in future trade negotiations, enhancing their ability to formulate agreements that achieve their comprehensive developmental interests and avoid the pitfalls revealed by past experiences.

Research Objectives

The primary objectives of this research study revolve around conducting a deep and multidimensional critical analysis of the failures and challenges that faced the North American Free Trade Agreement (NAFTA) on economic, social, and environmental levels, moving beyond superficial evaluations to examine the roots of problems and their complex interactions. The research also aims to provide an accurate and documented assessment of the agreement's impacts on vital and specific productive and service sectors, such as agriculture, manufacturing industries, and the labor market, in member states, with particular attention to the Mexican experience due to its unique economic and developmental position within the agreement framework and the profound structural transformations it underwent. Additionally, the research seeks to conduct an in-depth study of the effectiveness and efficiency of dispute resolution mechanisms, especially those related to direct investment and environmental issues, stipulated in the NAFTA agreement, and analyze their potential implications on the scope of national sovereignty of member states and their ability to regulate their internal affairs according to their developmental and societal priorities. Finally, the research aspires to extract essential lessons learned from NAFTA's rich and complex experience, discuss its profound implications on the future of the multilateral global trade system, and provide forward-looking insights on ways to develop more inclusive trade models responsive to contemporary challenges.

I. Manifestations of Economic and Social Shortcomings in the NAFTA Experience

Despite the ambitious aspirations and promising rhetoric that accompanied the beginning of the North American Free Trade Agreement (NAFTA), its practical implementation over the years has uncovered numerous economic and social shortcomings. These are particularly evident in their impact on the most vulnerable sectors and disadvantaged groups within the member states, especially Mexico. The anticipated benefits failed to materialize as expected; in some instances, existing issues worsened, or unforeseen challenges emerged, necessitating a critical reassessment of NAFTA's trajectory and tangible outcomes.

I.1. NAFTA's Impact on the Mexican Agricultural Sector

The Mexican agricultural sector bore a significant burden in adapting to NAFTA's provisions, experiencing profound negative repercussions. The influx of heavily subsidized American agricultural products into the Mexican market subjected small-scale Mexican farmers to intense and unequal competition, leading to a marked deterioration in their living conditions.

The surge in U.S. agricultural imports, particularly staple crops like corn, resulted in declining prices for domestic produce and eroded the competitiveness of Mexican farmers. Consequently, many were compelled to abandon their land in search of alternative livelihoods. It is worth mentioning that the proportion of agricultural employment in Mexico decreased from 26% of total employment to 18% by 2001 (G.C, Hufbauer and J.J, Schott, 2005). Indeed One of the most common attacks against NAFTA is that it disproportionately affected rural Mexican farmers who could not compete with subsidized crops from the U.S. A common criticism of NAFTA is that it harmed rural Mexican farmers, who were not able to compete with subsidized U.S farmers.

This agricultural downturn precipitated significant migration, both internally toward urban centers and externally to the United States. Unable to sustain their traditional farming activities, many farmers were forced to relocate in pursuit of employment opportunities, exacerbating pressures on urban labor markets and intensifying unauthorized migration flows northward. Indeed, more than 10 years after it came into force, NAFTA was described by some experts as as being a devastating failure for agriculture causing over 500,000 Mexicans to leave their small farms each year to settle in the industrial cities or migrating to the United States (D, Drache, 2010). Thus, rather than promoting rural development, NAFTA inadvertently aggravated the challenges facing this vital sector in Mexico.

I.2. NAFTA's Influence on Labor Markets and Wages

Beside the agricultural sector, NAFTA's adverse effects extended to affect labor markets and wage structures more broadly. Although the maquiladora industry² situated in northern Mexico experienced growth and was initially viewed as a significant job creator, the employment opportunities it generated were often characterized by low wages and substandard working conditions. In fact, and contrary to the promises that NAFTA would raise Mexicans' living standards to those of the Americans, Real average annual wages of Mexican workers have declined under NAFTA. The wage gap increased over time. For instance, from 2007 to 2013, Mexican wages in manufacturing grew close to one tenth comparing to US wages (C, Carbajal-De-Nova, 2017).

The emphasis on labor-intensive, low-cost industries led to job creation that lacked quality and adequate social protections, undermining NAFTA's potential to genuinely enhance Mexican workers' living standards. Furthermore, other labor market segments faced substantial strain due to heightened competition and economic restructuring. Trade liberalization resulted in wage inequality between skilled and unskilled workers and job losses. Moreover, traditional industries were unable to withstand the competitive pressures, while wage suppression persisted across various sectors. The latter was driven by an oversupply of unskilled labor and weakened labor unions. Consequently, NAFTA fell short of its promise to cultivate a prosperous and sustainable labor market offering decent opportunities for all Mexicans.

I.3. NAFTA's Failure to Achieve Genuine Economic Convergence

One of the most important objectives of NAFTA was to facilitate genuine economic convergence among member states and narrow developmental disparities between Mexico

and its northern neighbors. However, the agreement's practical outcomes revealed a failure to realize this goal. Despite certain economic gains, Mexico continued to trail behind the United States and Canada, with some internal inequalities even intensifying. Moreover, and even if there was a rise in trade and foreign direct investment (FDI), Mexico has not been able to achieve significant growth in per capita income, wages or labor productivity that would reflect narrowing the development gap with the US since NAFTA (O, Abdellaoui & N, Djawadi, 2010).

NAFTA did not catalyze the anticipated "economic miracle" in Mexico, nor did it establish a sustainable and inclusive development trajectory benefiting all societal segments. Structural issues such as inadequate infrastructure, reliance on foreign investment, and institutional inefficiencies persisted, limiting NAFTA's capacity to drive a transformative economic shift.

I.4. Industrial Relocation and Its Impact on Balanced Regional Development in Mexico

One of NAFTA's most notable spatial effects in Mexico was the relocation of industrial activity. Indeed, the latter which used to be concentrated in Central Mexico was after the treaty more concentrated in northern border regions close to the U.S. market. Trade liberalization and foreign investment influx spurred significant growth in the maquiladora sector in these areas, attracting labor from across the country (Z. Hammachi, 2018).

However, this geographic concentration of industrial activity negatively impacted balanced regional development within Mexico. It exacerbated developmental disparities between relatively prosperous border regions and marginalized interior and southern areas. Moreover, this development model failed to establish strong production linkages between the maquiladora sector and the broader Mexican economy, limiting its potential to serve as a genuine engine for comprehensive national development.

II. Environmental Dimensions, Dispute Resolution, and the Fate of Free Trade in Light of NAFTA

The ramifications of the North American Free Trade Agreement (NAFTA) extend beyond purely economic and social dimensions, encompassing sensitive environmental and legal aspects that have sparked widespread debate regarding the extent to which such agreements endorse principles of sustainable development and national sovereignty. In this section, we will continue the analysis of the NAFTA experience by focusing on its environmental shortcomings and the contentious dispute resolution mechanisms. Then, we will shed light on the weaknesses of the environmental side agreements and the issue of "pollution havens," followed by an in-depth examination of the Investor-State Dispute Settlement (ISDS) mechanism and its impact on national environmental legislation.

II.1. Environmental Failures and Controversial Dispute Resolution Mechanisms in the NAFTA Experience

Environmental dimensions and dispute resolution mechanisms are among the most prominent aspects that have revealed deep structural challenges in the design and implementation of free trade agreements like NAFTA. This section critically analyzes the environmental failures associated with the agreement's implementation, highlighting the inadequacies of the accompanying environmental side agreements in providing effective environmental protection. It also sheds light on how some companies have exploited loopholes in the agreement at the expense of the environment, leading in some cases to the emergence of "pollution havens." In this context, we will examine the ISDS issues, with a particular focus

on Chapter 11 of NAFTA and its controversial impact on the national sovereignty of member states in enacting their environmental legislation.

The implications of NAFTA have not been confined to purely economic and social aspects; they have also exposed significant structural challenges in addressing environmental issues and in the dispute resolution mechanisms, raising widespread concerns about their impact on the national sovereignty of member states and their ability to protect their environment and citizens. Practical experience has shown that the pursuit of trade liberalization and investment flows often comes at the expense of environmental considerations, and that the legal mechanisms accompanying the agreement can be exploited to undermine efforts aimed at environmental protection.

II.1.1 Weaknesses and Inadequacies of Environmental Side Agreements

Although NAFTA did not entirely overlook the environmental dimension, as it was accompanied by environmental side agreements, these agreements have proven to be weak and insufficient in providing effective and comprehensive environmental protection. These side agreements, such as the North American Agreement on Environmental Cooperation (NAAEC), were introduced in response to pressure from environmental protection groups and non-governmental organizations that raised serious concerns about the potential environmental consequences of trade liberalization (J. D, Quartey, 2023).

However, these agreements were characterized by weak enforcement and monitoring mechanisms and did not grant the bodies established under them sufficient authority to impose binding environmental standards or to hold violating states and companies accountable in a deterrent manner. The primary focus of NAFTA was on facilitating the movement of goods and investments, while environmental issues remained secondary and were not fully integrated into the core of the agreement. This approach led to the creation of a "regulatory vacuum" that some companies exploited to achieve economic gains at the expense of the environment, without facing real deterrents from the environmental side agreements (J. D, Quartey, 2023). Therefore, the NAFTA experience clearly demonstrates that marginal or side environmental agreements are insufficient to address the complex environmental challenges posed by free trade agreements, and that there is an urgent need to fully and integrally incorporate environmental considerations into the core of such agreements.

II.1.2. Exploitation of NAFTA Loopholes by Companies at the Expense of the Environment ("Pollution Havens" Phenomenon)

The weakness of environmental regulatory frameworks in NAFTA and the absence of effective mechanisms to enforce environmental standards led some companies to exploit these loopholes to achieve economic gains at the expense of the environment. This gave rise to the phenomenon known as "pollution havens," where certain polluting industries tend to relocate from countries with strict environmental standards to those with more lenient standards, benefiting from lower environmental compliance costs (S. Nanouche, 2017; J. D, Quartey, 2023).

In the context of NAFTA, Mexico, with its less stringent environmental standards compared to the United States and Canada, became an attractive destination for some industrial investments seeking to avoid high environmental costs in their home countries. This led to the concentration of some polluting industries in Mexican border areas, exacerbating environmental problems in these regions, such as water and air pollution and the degradation of ecosystems (J. D, Quartey, 2023). The NAFTA experience has revealed that the pursuit of

trade liberalization, in the absence of strong and binding environmental regulatory frameworks, can lead to a "race to the bottom" in environmental standards, where countries compete to attract investments by easing their environmental restrictions, ultimately harming the environment and local communities in the long term.

II.2 Investor-State Dispute Settlement (ISDS) Issues

The ISDS mechanism, stipulated in Chapter 11 of NAFTA, is one of the most controversial aspects of the agreement, as it has raised serious concerns about its impact on the national sovereignty of member states and their ability to enact and implement legislation to protect the public interest, including environmental protection (N, Hassen & N, Baadji, 2022). This mechanism grants foreign investors the right to sue host governments before private international arbitration bodies if they believe that certain government actions or legislation have harmed their investments or reduced their expected profits.

This mechanism has led to numerous cases against NAFTA member states, some of which have had serious implications for environmental policies. One notable example is the case of Lone Pine Resources against Canada. In this case, the American company challenged the decision of the Canadian province of Quebec to impose a temporary ban on hydraulic fracturing (fracking) for shale gas extraction, based on environmental and health concerns. The company argued that this ban violated Canada's obligations under NAFTA and demanded substantial compensation (N, Hassen & N, Baadji, 2022).

This case, among others, illustrates how the ISDS mechanism can be used as a tool to pressure governments and challenge national environmental legislation aimed at protecting the environment and public health. This mechanism has created a "chilling effect" on governments' ability to take necessary regulatory actions, fearing costly arbitration claims.

Additionally, the ISDS mechanism has faced widespread criticism for its lack of transparency in its procedures and the potential bias in arbitration bodies, which are often composed of lawyers specializing in international investment law who may have conflicts of interest. These criticisms have raised serious questions about the fairness and impartiality of this mechanism and its ability to achieve a genuine balance between protecting investors' interests and safeguarding the public interest.

III. NAFTA as a Turning Point—Lessons Learned and the Future of Free Trade

The North American Free Trade Agreement (NAFTA) was not merely a transient chapter in the history of international economic relations; it represented a pivotal shift that unveiled the complexities and outcomes of free trade models. It sparked a global discourse on the future of such agreements and the means to evolve them towards greater equity and sustainability. NAFTA, with its limited successes and multiple shortcomings, offered valuable lessons to both developing and developed nations, underscoring the urgent need to rethink the foundational principles of designing and implementing international trade agreements to ensure comprehensive and sustainable development.

The renegotiation of NAFTA and its replacement with the United States-Mexico-Canada Agreement (USMCA) signifies an implicit acknowledgment of the original agreement's shortcomings and an attempt to address unresolved issues and respond to new challenges. USMCA introduced significant amendments, particularly concerning rules of origin in the automotive sector, labor rights, environmental protection, and digital trade (W, Saifi & A, Bensmina, 2024).

However, the extent to which USMCA successfully addresses NAFTA's fundamental failures remains a subject of debate and evaluation. Despite some improvements, critics argue that the new agreement still harbors numerous challenges and may fall short of achieving the equitable and sustainable development envisioned by member states. USMCA's experience will be closely monitored, offering new insights into the future of free trade agreements amid global economic and political shifts.

III.1. Lessons from the NAFTA Experience for Developing and Developed Countries

NAFTA's experience imparts critical insights for developing countries aiming to integrate into the global economy through free trade agreements. A paramount lesson is the necessity of not being swayed by the alluring theoretical promises of trade liberalization, emphasizing the importance of conducting thorough and independent assessments of potential costs and benefits before entering any agreement. Mexico's experience demonstrated that uncalculated trade openness, absent supportive national policies and robust institutional frameworks, can adversely affect vulnerable sectors like traditional agriculture and exacerbate existing social issues such as migration and inequality (J. D, Quartey, 2023; O, Abdellaoui & N, Djawadi, 2010).

Furthermore, NAFTA underscores the importance for developing nations to possess a clear developmental strategy prior to engaging in trade agreements, ensuring these agreements serve national development goals rather than dictate them. This includes investing in infrastructure, enhancing technological capabilities, supporting local industries, bolstering human capital, protecting the environment, and ensuring equitable distribution of economic growth benefits. Without such a strategy, developing countries risk becoming mere consumer markets for products from developed nations, failing to achieve genuine and sustainable development.

For developed countries, NAFTA offers equally significant lessons, notably the need to acknowledge the social and environmental costs of free trade within their borders. The U.S. experience revealed that trade liberalization can lead to job losses in certain sectors, wage pressures, and environmental degradation, necessitating compensatory and adaptive policies to protect affected groups and ensure sustainable development (O, Abdellaoui & N, Djawadi, 2010). Additionally, NAFTA highlights the importance of establishing balanced and fair-trade relations with developing countries, considering existing developmental disparities and contributing to shared development, rather than exploiting these countries' weaknesses to advance narrow economic interests.

III.2. The Need to Effectively Integrate Sustainable Development Dimensions (Social and Environmental) into Trade Agreements

Integrating sustainable development dimensions—social and environmental—into free trade agreements emerges as a key lesson from NAFTA and similar agreements. These experiences have shown that an exclusive focus on trade and investment liberalization, without adequate attention to social and environmental costs, can lead to counterproductive outcomes that undermine comprehensive and sustainable development goals.

Socially, free trade agreements must include clear and binding provisions to protect workers' rights, ensure decent working conditions, promote social dialogue, support training and professional development programs, and provide social safety nets for those adversely

affected by trade liberalization. Neglecting these aspects can exacerbate unemployment, deteriorate living standards, and heighten social tensions.

Environmentally, trade agreements should encompass effective mechanisms for environmental protection, prevent the overexploitation of natural resources, encourage environmentally friendly investments, combat pollution, and address climate change. NAFTA's experience demonstrated that the absence of such mechanisms can worsen environmental issues, create "pollution havens," and undermine national and regional environmental protection efforts (J.D, Quartey, 2023).

III.3. The Fate of Free Trade: Towards More Equitable and Just Models Considering Social and Environmental Costs

Experiences from NAFTA and other free trade agreements raise fundamental questions about the trajectory of this economic integration model. With growing awareness of the social and environmental costs associated with free trade and increasing criticism of investor-state dispute settlement mechanisms, there is a rising demand for adopting more equitable and just trade models that effectively incorporate sustainable development dimensions.

The future of free trade hinges on its ability to adapt to these challenges and develop mechanisms that ensure comprehensive and sustainable development for all parties involved. This necessitates a reevaluation of trade agreement designs to include clear and binding provisions for labor rights protection, environmental conservation, transparency enhancement, and the preservation of national legislative sovereignty. Additionally, it calls for the development of more balanced and fair dispute resolution mechanisms that consider the interests of all stakeholders, not solely investors.

III.4. The Impact of Experiences Like NAFTA on Other Regional Agreements

Undoubtedly, major free trade agreements like NAFTA influence the design and implementation of other regional agreements worldwide. For instance, the African Continental Free Trade Area (AfCFTA)³, the latest and largest free trade agreement by participating countries, and of which Algeria is a member, can significantly benefit from the lessons learned from NAFTA's experience (J.D, Quartey, 2023).

Avoiding the pitfalls encountered by NAFTA, focusing on effectively integrating sustainable development dimensions, enhancing transparency and governance, and ensuring equitable distribution of economic integration benefits are among the primary challenges facing AfCFTA and similar regional agreements. The success of these agreements depends on their ability to learn from past experiences and adopt innovative and sustainable trade models that serve their populations' interests and achieve comprehensive development.

Conclusion

The North American Free Trade Agreement (NAFTA) stands as a multifaceted experiment replete with instructive lessons, albeit marred by significant shortcomings and challenges that have indelibly influenced developmental trajectories within member states. Despite its ambitious inception, promising shared economic prosperity, enhanced growth, and job creation, the practical outcomes over years of implementation have unveiled profound adverse effects across various societal sectors. This is particularly evident in Mexico, where high expectations for a transformative developmental leap were met with considerable disillusionment. NAFTA has incited substantial concerns regarding its overlooked

environmental repercussions and its potential to undermine national sovereignty through dispute resolution mechanisms that seemingly afford disproportionate influence to corporations at the expense of public interest and domestic legislation.

The failures of NAFTA manifested in the deterioration of smallholder farmers' conditions, limited generation of quality employment, persistent developmental disparities, and the exacerbation of certain inequalities—do not inherently signify the demise of free trade as a conduit for economic integration and international cooperation. Rather, they underscore an urgent imperative to fundamentally reassess the foundational principles and execution strategies of such agreements. Future trade accords must transcend a narrow, unilateral focus on the liberalization of goods, services, and capital flows, integrating robust and enforceable safeguards for labor rights, environmental conservation, and public health. Additionally, there is a critical need to establish mechanisms that ensure a more equitable distribution of trade benefits, duly accounting for the social and environmental costs involved. The trajectory of global free trade systems heavily depends on our collective capacity to assimilate the hard-earned lessons from experiences like NAFTA and to diligently construct a trade framework that genuinely advances sustainable development goals⁴, balancing economic interests with humanitarian and ecological considerations.

Recommendations

Drawing from a critical analysis of NAFTA's experience and the challenges it has unveiled, the following proposals are offered to guide the formulation of future free trade agreements toward more equitable and sustainable development:

1. **Comprehensive Integration of Sustainable Development Dimensions:** Future trade agreements must move beyond peripheral references to social and environmental issues, embedding binding chapters with effective enforcement and monitoring mechanisms to protect labor rights, ensure the application of decent work standards, safeguard the environment, combat climate change, and preserve biodiversity. These considerations should be integral to the core of the agreements.
2. **Reform or Replacement of Investor-State Dispute Settlement (ISDS) Mechanisms:** NAFTA's experience has demonstrated that ISDS mechanisms can be exploited to erode legislative sovereignty. Therefore, it is recommended either to abolish them in favor of transparent and impartial national or regional judicial systems or to undertake radical reforms ensuring they do not conflict with public interest, limiting the scope of cases, and guaranteeing procedural transparency and arbitrator independence. (S. Trew, and M. Pérez-Rocha, and K. Hansen-Kuhn, 2023)
3. **Conducting Comprehensive and Independent Impact Assessments:** Countries, especially developing ones, should perform thorough and independent impact assessments before entering any trade negotiations to identify potential costs and benefits. Periodic evaluations during and after the implementation of agreements are also necessary to facilitate corrective actions.
4. **Enhancing Transparency and Broad Community Participation:** Negotiation processes for trade agreements should be conducted with complete transparency, involving a wide range of stakeholders, including civil society organizations, labor unions, the private sector, and academics, to ensure that these agreements reflect the interests of the entire community.
5. **Adopting Integrated National Policies for Structural Adjustment:** Governments should, in parallel with trade liberalization, implement effective national policies to support affected sectors and groups, provide retraining and rehabilitation programs for

workers, support innovation and economic diversification, and invest in infrastructure and human capital.

6. **Supporting International Cooperation in Trade and Sustainable Development:** Efforts should be made to strengthen international cooperation to ensure that trade agreements contribute to achieving global sustainable development goals, providing technical and financial support to developing countries to help them build their negotiation and implementation capacities.

Implementing these recommendations would contribute to overcoming past failures and building a fairer, more equitable, and sustainable global trade system.

Endnotes:

¹ The North American Agreement on Environmental Cooperation (NAAEC) was established in 1994 alongside NAFTA. It is an environmental agreement between, the United States, Canada and Mexico

Its main goal was the protection and improvement of the environment and the promotion of pollution prevention policies and practices in the territories of the three countries., Rosenberg, Jerry. M. (1995), *Encyclopedia of the North American Free Trade Agreement, the New American Community, and Latin-American Trade*, Greenwood Press, Connecticut, p 157.

²Maquiladoras (sing: maquiladora) are Mexican assembly plants, located along the United States-Mexico border, that import materials and equipment on a duty-free and tariff -free basis. Maquiladoras receive raw materials from companies in the U.S. to assemble and export back as finished products. They are generally owned by U.S. companies that are encouraged to set up factories in Mexican border towns in return for low-cost labor and savings. Kenton, Will, (Sep29,2022), *Maquiladora: Definition, History, Benefits, Worker Exploitation*, in *Investopedia*, Retrieved May 13, 2025 from: <https://www.investopedia.com/terms/m/maquiladora.asp>.

³ The African Continental Free Trade Area (AfCFTA) is a trade pact designed to establish the largest free trade zone in the world, bringing together 54 out of the 55 African Union member nations. the agreement became effective on May 30, 2019. Its main objectives include removing tariffs withing African countries, promoting trade between African nations by creating a single market, improving industry and enterprise competitiveness, and encouraging sustainable and inclusive socio-economic development., Mirito, Creck Buyonge (2021), *African Continental Free Trade Area: Background and Role of Customs*, In: <https://mag.wcoomd.org/magazine/wco-news-96/african-continental-free-trade-area-background-and-role-of-customs/>

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