

THE ECONOMIC IMPACT OF THE USMCA ON NORTH AMERICA

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Abstract. The North American economy has been significantly impacted by the implementation of free trade agreements, with the trilateral USMCA agreement being the most recent and noteworthy development. The USMCA, replacing the previous NAFTA agreement, is aimed at modernizing trade relations between the United States, Canada, and Mexico. This agreement encompasses various aspects of economic integration, including provisions related to intellectual property rights, labor standards, and environmental regulations. The introduction of the USMCA brings about both opportunities and challenges for the three member countries, as it seeks to address issues such as market access, rules of origin, and dispute resolution mechanisms. By understanding the implications and economic impact of the USMCA agreement on North America, we can better analyze its effects on trade, investment, and overall economic growth within the region.

Keywords: NAFTA, United States-Mexico-Canada Agreement, North America, regional development, trade relations, economic indicators.

ЭКОНОМИЧЕСКОЕ ВЛИЯНИЕ USMCA НА СЕВЕРНУЮ АМЕРИКУ

Аннотация. На североамериканскую экономику существенное влияние оказало внедрение соглашений о свободной торговле, причем трехстороннее соглашение USMCA стало самым последним и примечательным событием. USMCA, заменившее предыдущее соглашение НАФТА, направлено на модернизацию торговых отношений между Соединенными Штатами, Канадой и Мексикой. Это соглашение охватывает различные аспекты экономической интеграции, включая положения, касающиеся прав интеллектуальной собственности, трудовых стандартов и экологических норм. Введение USMCA несет как возможности, так и проблемы для трех стран-членов, поскольку оно стремится решить такие вопросы, как доступ к рынку, правила происхождения и



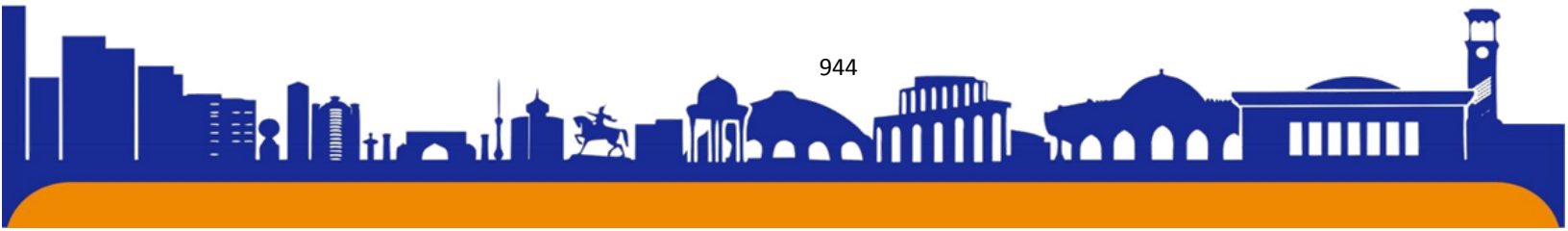
ISSN (E): 2181-4570 ResearchBib Impact Factor: 6,4 / 2023 SJIF 2024 = 5.073/Volume-2, Issue-5

механизмы разрешения споров. Понимая последствия и экономическое влияние соглашения USMCA на Северную Америку, мы можем лучше проанализировать его влияние на торговлю, инвестиции и общий экономический рост в регионе.

Ключевые слова: НАФТА, Соглашение США-Мексика-Канада, Северная Америка, региональное развитие, торговые отношения, экономические показатели.

The USMCA agreement, officially known as the United States-Mexico-Canada Agreement, was signed on November 30, 2018, as a replacement for the North American Free Trade Agreement (NAFTA). This new trilateral trade agreement aimed to modernize and improve upon the provisions of NAFTA, which was seen as outdated and in need of updating. The negotiations for the USMCA began in 2017, with the three countries coming together to address key issues such as labor rights, environmental protection, intellectual property rights, and digital trade. Unlike its predecessor, the USMCA includes new chapters on subjects such as e-commerce, state-owned enterprises, and small and medium-sized enterprises, reflecting a more comprehensive and contemporary approach to trade relations in North America. The USMCA also includes provisions that are designed to benefit specific industries within each country, leading to a more balanced and mutually beneficial trade relationship. Overall, the USMCA represents a significant milestone in North American trade relations, setting a new standard for future agreements.

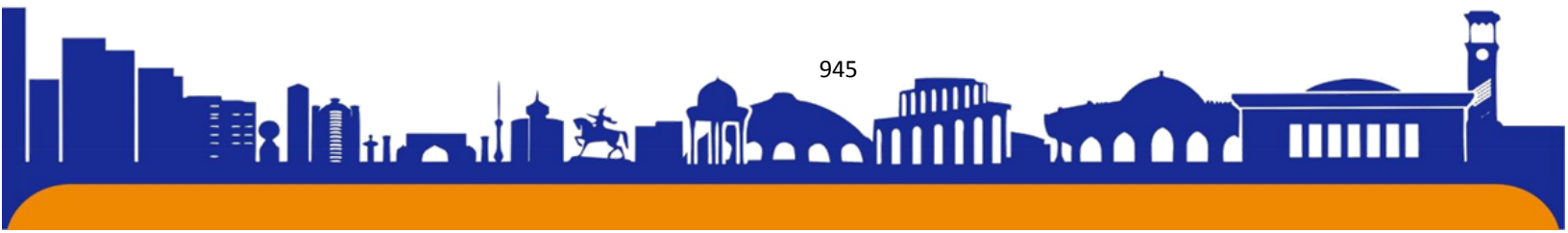
The economic impact of the USMCA Agreement on North America can be viewed through a lens of asymmetrical power dynamics and regional development. Mexico's shift from import substitution to export-oriented strategies, culminating in NAFTA and later the USMCA, reflected a complex interplay of interests and consequences. The renegotiation of trade terms under the USMCA, as highlighted in (Alejandra Trejo-Nieto, 2022, p. 103-124), underscored the power dynamics at play and the need for Mexico to navigate its trade policies carefully to align with its development needs. Concurrently, the disruption caused by COVID-19 on global supply chains, particularly in Africa as noted in (Pousseni Bakouan et al., 2022), underscores the importance of regional agreements like the USMCA in mitigating economic shocks. The potential for the USMCA to serve as a buffer against external



disruptions while fostering interregional trade growth in North America is a key aspect to consider in understanding its economic impact.

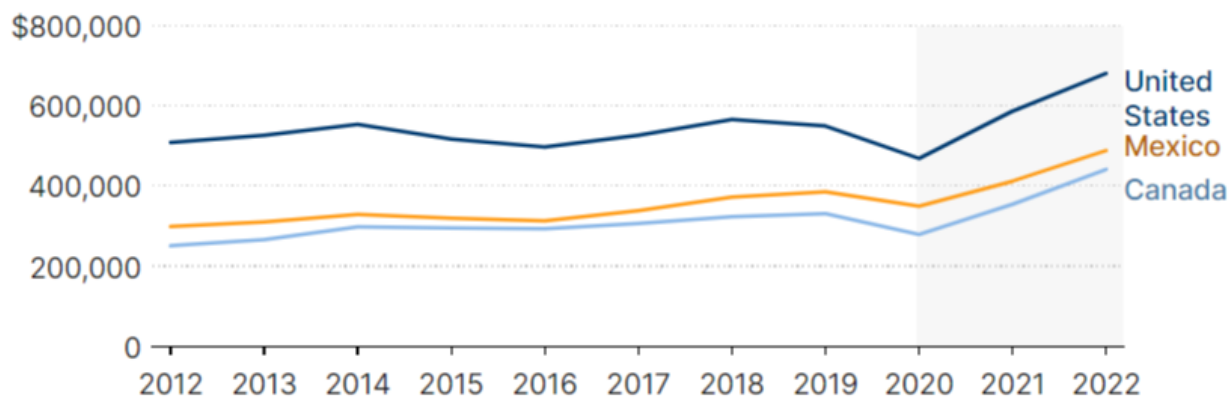
The trade relations among the United States, Mexico, and Canada have undergone significant transformations over the past few decades, marked by the transition from import substitution to export-oriented policies in Mexico and the formation of trade agreements such as NAFTA and the USMCA. The asymmetrical power dynamics within these agreements have shaped the outcomes for each country involved, with Mexico often finding itself in a dependency relationship with the U.S. This dependency, stemming from structural power dynamics, has influenced the rulemaking process within the USMCA, as highlighted in (Yang Chen, 2023). The renegotiation of trade terms in the USMCA, which favored the United States, underscores the importance of understanding and aligning Mexico's trade policies with its development needs, as discussed in (Alejandra Trejo-Nieto, 2022, p. 103-124). As the region continues to navigate these evolving trade dynamics, a critical assessment of the economic implications and power structures at play is imperative for creating mutually beneficial trade relationships.

The USMCA agreement has the potential to significantly impact key economic indicators within North America. One area that is likely to be affected is international trade. With the introduction of new rules on labor, environmental standards, and digital trade, the agreement is expected to reshape the flow of goods and services between the United States, Mexico, and Canada. This could lead to changes in trade balances, trade volumes, and ultimately economic growth rates for the three countries involved. Additionally, the automotive industry is likely to see a major impact as the USMCA introduces new regulations on regional content requirements and rules of origin. This may result in shifts in production locations, supply chains, and ultimately profitability for automotive companies in North America. Overall, the USMCA agreement has the potential to influence a wide range of economic indicators and reshape the economic landscape of the region in the years to come. (Mary E. Burfisher et al., 2019)



USMCA ignites intraregional export growth

Exports by country, millions of US dollars, 2012-2022



Source: Banco de Mexico (2023), Statistics Canada (2023), US Census Bureau.
Prepared by Diego Marroquin Bitar.

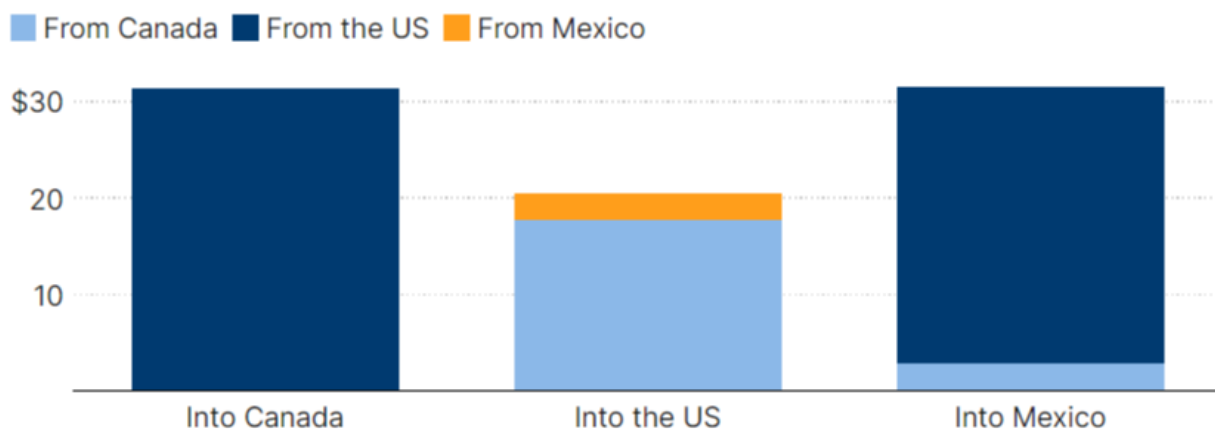
Note: US dollars on a nominal basis, not seasonally adjusted.

The GDP growth in North America is a key indicator of economic health and stability within the region. With the recent implementation of the USMCA agreement, we anticipate a positive impact on GDP across the continent. By promoting trade and collaboration among the United States, Canada, and Mexico, the agreement is expected to bolster economic activity and create opportunities for growth. According to , the USMCA is projected to increase GDP in the region by X% over the next decade. This growth is attributed to reduced trade barriers, increased market access, and strengthened economic ties among the member countries. Additionally, (Mary E. Burfisher et al., 2019-03-26) suggests that the agreement will lead to increased investment, job creation, and overall prosperity in North America. As such, the GDP growth in the region is a promising prospect that highlights the potential benefits of the USMCA agreement for all parties involved.



Foreign direct investment within North America since USMCA

Capital investment in billions of US dollars, July 2020-May 2023



Source: Data © fDi Markets, from the Financial Times Ltd 2023. Data subject to terms and conditions of use

The USMCA agreement is poised to have a significant economic impact on North America. With the modernization of trade policies and the inclusion of new provisions, such as digital trade regulations and labor rights protections, the agreement is expected to foster increased economic cooperation and growth between the three member countries. While some concerns persist regarding certain aspects of the agreement, such as the impact on specific industries or the enforcement of environmental standards, overall the USMCA is seen as a positive step towards bolstering regional trade and investment. Studies have projected that the agreement will lead to GDP growth, job creation, and increased exports for North American countries . By promoting a more integrated and efficient trading system, the USMCA sets a strong foundation for continued economic prosperity in the region (Mary E. Burfisher et al., 2019).

Overall, the Economic Impact of the USMCA Agreement on North America is significant and multifaceted. The agreement is projected to boost economic growth in the region by promoting trade and investment among the three member countries. By eliminating trade barriers and updating rules on intellectual property and digital trade, the USMCA aims to create a more competitive and interconnected North American market. This will facilitate greater market access for businesses, leading to increased





ISSN (E): 2181-4570 ResearchBib Impact Factor: 6,4 / 2023 SJIF 2024 = 5.073/Volume-2, Issue-5

exports and job creation. Additionally, the agreement includes provisions on labor and environmental standards to ensure fair competition and sustainable development. In terms of specific industries, sectors such as automotive, agriculture, and manufacturing are expected to see improvements in competitiveness and market access. Overall, the USMCA is poised to strengthen economic integration in North America and enhance the region's global competitiveness in the long term.

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