

Literature Review:

The Political-Economy of Trade Policy and Renegotiating the North American Free Trade Agreement (NAFTA)

By

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Introduction: Context and Background

The challenges faced in the current renegotiations of the North American Free Trade Agreement (NAFTA) represent a divergence between domestic and international factors that have been cumulative in the United States' decision to renegotiate the agreement. This is not to say that what led up to the decision to renegotiate NAFTA was the direct result of a single causal relationship, rather what determined the United States' decision to renegotiate was a result of domestic and foreign policy objectives, income distribution, political cleavages, strategy, competition, voter perception, regime type, and institutional structure. These are just a few of the factors which explain why United States President Donald Trump notified the U.S. intent to renegotiate NAFTA on May 18, 2017 (Villarreal & Ferguson, 2017, pg. 1).

This literature review will provide a broad survey analyzing what the potential factors are that lead states to enter, exit, or renegotiate a regional free-trade agreement (FTA). It is important to note that this literature review is not a fully comprehensive assessment of all the factors; rather, it serves as a start to further inquiry on the tensions, scope, gaps, and policy debates in the literature. Nor is this literature review an assessment of the current NAFTA renegotiations. For simplicity of analysis and lack of academic research on current developments, the literature will examine why countries decide to enter or exit FTAs in a general framework that is applicable to cases beyond NAFTA. However, there is a focus on NAFTA because of the contemporary relevance of the issue.

History and Effects of the North American Free Trade Agreement (NAFTA)

Before opening a discussion on the background of NAFTA, it is essential to define common terminology in the field of trade policy. In this literature review, the main focus of discussion is on free-trade agreements (FTAs). FTAs are legal agreements that include measures to eliminate tariff and nontariff barriers to merchandise trade, measures to promote cross-border trade in services, and access to investment that act as an instrument of trade liberalization (Meredith & Gauthier, 2012, pg. 2). FTAs can either be bilateral, such as the Canada-Israel FTA, while other FTAs are regional, such as NAFTA (Meredith & Gauthier, 2012, pg. 3). FTAs also differ in breadth. Older FTAs are limited in

scope and are only concerned with tariff elimination, investment, and government procurement (Meredith & Gauthier, 2012, pg. 3). Other FTAs, such as the Comprehensive-Economic and Trade Agreement (CETA), are considered “comprehensive” or “ambitious” in scope as they cover measures beyond tariff elimination that resemble economic integration (Meredith & Gauthier, 2012, pg. 3). These measures can include mutual recognition of professional qualities, regulatory cooperation agreements on sanitary and phytosanitary measures, reduced barriers to labour mobility and provisions related to sustainable development (Meredith & Gauthier, 2012, pg. 3). It is important to keep in mind that Foreign Investment Promotion and Protection Agreements (FIPAs)¹ and custom unions² are not considered in this literature review for the sake of brevity. However, the world trade organization’s (WTO) rules are considered in this analysis as a form of trade liberalization. The equal treatment rule, or “most favoured nation” rule of trade, under article 24 of the *General Agreement on Tariffs and Trade (GATT)* and article 5 in the *General Agreement on Trade in Services (GATS)*, although discriminatory, are considered tools of trade liberalization in this literature review (General Agreement of Tariffs and Trade, 1986, pg. 41; Meredith & Gauthier, 2012, pg. 2).³ Therefore, the focus of this literature is on FTAs (bilateral or regional) and world trade liberalization, since they both have similar economic objectives of integration by reducing barriers to trade.

The North American Free Trade Agreement (NAFTA) is a regional (or trilateral) FTA between the United States, Canada, and Mexico. NAFTA was signed into law in 1993 and was enforced on January 1st, 1994. As of 2015, total trilateral merchandise trade between NAFTA members accounts to over USD \$1 trillion (GAC, 2017). NAFTA represents 28 percent of the world’s GDP, with CAN \$881 billion in trade in goods and services between the U.S. and Canada alone

¹ Foreign Promotion and Protection Agreements (FIPAs) are not instruments of trade liberalization as they are only concerned with placing binding obligations on hosts governments on the treatment of foreign investors and investments (Meredith & Gauthier, 2012, pg. 3).

² A customs union is an FTA with a common (harmonized) external tariff towards non-members of the customs union. An FTA is like a customs union but without a common (harmonized) external tariff.

³ Article 24 of the *General Agreement on Tariffs and Trade (GATT)* and Article 5 of the *General Agreement on Trade in Services (GATS)* state that customs unions and FTAs are allowed as long as they don’t cause a substantial barrier to trade and are aimed towards further economic liberalization (General Agreement of Tariffs and Trade, 1986, pg. 41; Meredith & Gauthier, 2012, pg. 2).

(GAC, 2017). Given NAFTA's history and size, it is a substantial FTA to renegotiate. However, NAFTA was controversial when first proposed in North America because it was the first time that an FTA involved two developed countries and one developing country (Villarreal & Fergusson, 2017 pg. i). Despite the initial fears, NAFTA had only modest effects on the U.S. economy, as upon full implementation the United States would only see a 0.1 to 0.5 percent increase in gross domestic product (GDP) (Villarreal & Fergusson, 2017 pg. 16). A 2016 United States International Trade Commission report found that NAFTA "[led] to a substantial increase in trade volumes for all three countries; a small increase in U.S. welfare; and little to no change in U.S. aggregate employment." (Villarreal & Fergusson, 2017, pg. 16). Although effects of liberalization in Mexico have mainly been positive, they have also been uneven. For example, NAFTA has led to a loss of over one million jobs in Mexico's agricultural sector between 1991 and 2000, however, NAFTA has also brought greater macroeconomic stability to the Mexican economy (Villarreal & Fergusson, 2017 pg. 19). In Canada, the U.S.-Canada FTA served as a stepping stone towards ratifying NAFTA, and as a result many of the fears of further liberalization with the U.S. economy did not come to pass (Villarreal & Fergusson, 2017 pg. 22). However, Canada has witnessed a lag in its productivity that is only at 70 percent of United States' productivity (was at 91 percent in the mid-1980's) (Sinclair, Trew, Kirkwood, 2017, pg. 7). Despite some variance in import-competing industries, NAFTA has had negligible, if not modest effects on all three North American economies. Therefore, President Trump's "America First" call to renegotiate NAFTA strikes a chord with economists and policymakers who are proponents of the agreement. Economists and many policymakers view the agreement as deepening economic relations that is promoting a "common trade agenda with shared values" that generates transnational cooperation and economic growth (Villarreal & Ferguson, 2017, pg. ii). For an agreement that has modest gains and acute costs, which are only attributed to specific sectors, it is puzzling why the United States would want to renegotiate the agreement. However, the review of the following literature will help to isolate some of the potential factors that resulted in the U.S. decision.

Tensions in Literature

International Factors, Strategic Trade and Foreign Policy

In understanding the variety of perspectives and tensions within the literature on the international political-economy of trade, it is necessary to understand the divergence between domestic and international politics. Peter Gourevitch in *Second Image Reversed: The International Sources of Domestic Politics* asserts that in using a nation's domestic structure to explain foreign policy it is also necessary to “explore the extent to which that [domestic] structure itself derives from the exigencies of the international system” (Gourevitch, 1978, pg. 882). Gourevitch draws on comparative literature to understand the effects the international system has on regime type (e.g. democratic or aristocratic) and coalition patterns (e.g. type and mix of elites) (Gourevitch, 1978, pg. 883). Although Gourevitch does not directly discuss trade politics, but instead frames how the international system shapes a state's domestic institutional structure, it is still essential to understand why a country would follow any foreign policy (including trade policy). Specifically, Gourevitch's writing on interdependence resonates with trade policy as “the spread of interdependence [including economic] has led to the emergence of a distinct phase in international relations...in this new phase, interdependence severely constrains the freedom of action of governments and even affects their internal organization.” (Gourevitch, 1978, pg. 892). The institutional structure of a state is also critical to understanding, not only the international, but also the domestic “winners” and “losers” of trade policy.

According to Dani Rodrik, it is not only necessary to understand politicians' political objectives, but it is necessary to understand how the institutional setting shapes trade policy (Rodrik, 1995, pg. 1460). A limitation of Rodrik's analysis (as discussed in further sections) is that it does not place any emphasis on the role of how informal institutions shape trade policy, such as how politicians garner political support from their constituents to put forward an international trade liberalization policy (Rodrik, 1995, pg. 1477). Moving away from the domestic structure of trade politics (discussed

in a later section), Gourevitch adequately frames how domestic policy is shaped by international regimes through applying Joseph Nye's and Robert Keohane's notion of complex interdependence. Complex interdependence alters domestic structures because power is taken away from state-centered institutions (e.g. government) and given to private, non-state, or foreign actors (Gourevitch, 1978, pg. 893). Similar to free trade agreements, complex interdependence exists "because states allow it to exist" (Gourevitch, 1978, pg. 894). By framing the political economy of trade within the perspective of complex interdependence it is possible to gain a theoretical insight into why politicians may feel disenfranchised by the liberal institutional order.

In *Triumph of Globalism: American Trade Politics* Orin Kirshner makes the argument that the foreign trade policy-making process has not become less democratic; rather, the "democratic process itself has been reorganized in such a way [as] to elevate global issues over domestic ones" (Kirshner, 2005, pg. 481). Kirshner examines how America's interaction in pursuing trade liberalization with the GATT/WTO has evolved since the Geneva round in 1947. Specifically, Kirshner points out the American legislative statute Article 1 Section 8, which allows Congress to transfer its regulatory powers of foreign commerce to the president, has centralized decision making on foreign trade policy in the U.S. (Kirshner, 2005, pg. 483). Kirshner historically shows that trade policy-making with the WTO, through the U.S. executive branch, has resulted in negotiators overlooking domestic concerns of trade liberalization (i.e. income distribution, jobs, environmental regulation). As a result of continued neglect of domestic concerns in international trade agreements and increasing globalization "foreign trade can no longer be dealt with apart from other domestic economic policies and concerns" (Kirshner, 2005, pg. 500). The "triumph of globalism," known as the centralization of state power in international agreements over domestic concerns, highlights how international trade negotiations can influence domestic political alignments.

Similarly, in *Globalization, the welfare state and right-wing populism* Duane Swank and Hans-Georg Betz show that there is wide belief among the domestic electorate that "internationalization plays a substantial role in adverse economic outcomes" (Swank & Betz, 2003,

pg. 222). There is also a finding, according to Mayda and Rodrik, that in developed democracies individuals who favour trade restrictions have lower occupational and educational levels (Hainmueller & Hiscox, 2006; Swank & Betz, 2003, pg. 222). In connecting this to economic literature on trade policy, there is a correlation between workers in the relatively scarce factor of production that is not used intensively (i.e. labour - working class - in U.S.) and rising support for protectionist trade measures (Rodrik, 1995, pg. 1459; Rogowski, 2000, pg. 318; Swank & Betz, 2003, pg. 222). Therefore, the literature is fairly consistent across international and domestic domains of trade policy (i.e. there is an interlinkage between complex interdependency - act of giving up state power to an international body - and disenfranchisement of domestic concerns on trade policy). Although the majority of the literature covers the domestic effect of trade liberalization, the literature does not adequately consider the constraints facing the state at the international level.

In *NAFTA: The Trump Card of the United States?* Christian Deblock and Michele Rioux assert that the United States initially negotiated NAFTA principally as a foreign policy objective (Rioux & Deblock, 1993). For the United States NAFTA was a second-best solution to global trade liberalization, in which its main purpose was for geo-strategic and outward orientated expansion that characterized a new form of trade agreements that were strategic and competitive in focus (Rioux & Deblock, 1993, pg. 8). With growth in trade exports of Asia's newly industrializing countries (NICs) and the Europe's EEC (European Economic Community), North America had a growing trade deficit relative to Asia and Europe (Rioux & Deblock, 1993, pg. 18). Also, given the fact that NAFTA would have no substantial effect on U.S. jobs, would only produce a small gain in U.S. real income, and lead to a slight fall in unskilled workers in the U.S (Krugman, 1993, pg. 14), it is likely that NAFTA was implemented as a foreign policy objective. NAFTA as a foreign policy instrument was supposed to derive a global comparative advantage (for NAFTA members) as well as substantiate the United States' strategic position when it came to trade negotiations with Europe and Asia (Rioux & Deblock, 1993, pg. 25). Rioux and Deblock perceive the intention to form a free trade agreement with partner states, such as NAFTA, as a competitive geopolitical strategy to garner state power. In contrast to

Swank, Betz, Gourevitch, and Kirshner, neither Rioux or Deblock are concerned with how international factors shape the domestic structure of trade politics, instead they are concerned with the relative economic power that states use to pressure other states to engage in FTAs.

On the international level there appears to be a divergence between how international relations influence domestic trade politics, as either an institutional concern (Krishner, 2005) or as a socio-economic concern (Swank & Betz, 2003; Rodrik, 1995; Rogowski, 2000). There is also a third geopolitical variable where states enter or exit FTAs due to their relative power differences (Rioux & Deblock, 1993; Krugman, 1993). Next, is the examination of domestic factors that influence a state's trade policy.

Domestic Factors of International Trade and Income Distribution

Contrasting Robert Putnam's *Diplomacy and Democratic Politics: The Logic of the Two-Level Games* with other literature on trade policy it is apparent that there is a wide variance of methodology for measuring the quantitative political effects on the value of trade negotiations (Rodrik, 1995; Rogowski, 2000; Putnam, 1988). Putnam takes a very lateral approach in describing what the key factors are for a country to enter a free trade agreement. For Putnam, the probability of entering into a free trade agreement is dependent on the size of the relative "winsets"⁴ between level 1 (domestic constraints) and level 2 (international constraints) theaters of negotiation (Putnam, 1988, pg. 436). According to Putnam the wider the level 1 winset is (i.e. the greater the variance of accepting any trade policy on the domestic level) the more likely a country is willing to ratify an agreement at the international level (level 2) (Putnam, 1988, pg. 437). The two-level structure for ratifying any transnational agreement, including trade agreements, shows that domestic preferences determine the variety of policy options at the international level. However, it is important to highlight that Putnam

⁴ A "win-set" is the range of policy option available to officials in both the domestic and international spheres of negotiation. As defined by Putnam, a "win-set" for a given level II [international] constituency as the set of all possible level I [domestic] agreements that would "win" - that is, gain the necessary majority among the constituents - when simply voted up or down." (Putnam, 1988, pg. 437).

places an emphasis on the idea that individuals are unitary rational actors, as Putnam asserts that the role of the chief negotiator is to i) enhance the country's standing at level two, ii) shift the balance of power at level two to favour domestic politics, and iii) to pursue his own conception of the national interest in the international context (Putnam, 1988, pg. 457). Putnam's logic is opposite to Peter Gourevitch's *The Second Image Reversed: The International Sources of Domestic Politics*, in which "interdependence severely constrains the freedom of action of governments and even affects their internal organization" (Gourevitch, 1978, pg. 892). In contrast to Putman, Gourevitch uses the international system to explain domestic outcomes (Gourevitch, 1978, pg. 883). However, in much of the literature on the political economy of trade, there is an assumed statist approach that places the importance of the individual rational actor (i.e. chief negotiator, politician etc.) above the structural limits of the international system (Brander, 1986, pg. 25; Grossman & Helpman, 1995; Baldwin, 1989). The assumption that individual actors are the central players in international trade negotiations has led to the development of "strategic trade policy" analysis, in which game theory approaches are applied to understand the causes of collective action failure (i.e. in trade policy defection to protectionist trade measures, such as implementing quotas, tariffs, export subsidies, and regulation to limit imports) (Brander, 1986; Krugman 1986).

In the international sphere, the application of strategic trade policy analysis may prove to be useful. However, when understanding the domestic theater it is necessary to apply a different methodology assuming states are unitary actors in global politics.⁵ Dani Rodrik in the *Political Economy of Trade Policy* notes that any political or economic model used to understand the reasons behind decisions on trade policy must take into account both the explicit and implicit information given (Rodrik, 1995, pg. 1460). In contrast to the strategic trade policy analysis, Rodrik poses some general considerations when developing a political-economy model of trade to determine the "winners" and "losers" from trade liberalization. Whereas a purely strategic economic model tries to

⁵ It is necessary to apply a different methodology because states (in reality) consist of a diverse set of individuals, and it is an abstraction from reality to assume that states are identical on a domestic level (i.e. states consist of many nationalities and socio-economic groups).

maximize efficiency (Brander, 1986, pg. 23), a political economy model factors in many non-economic elements. Rodrik outlines that a political-economy model of trade must include i) a description of individual preferences over a domain of policy options available to policymakers (Rodrik, 1995, pg. 1458). Secondly, ii) a description of how particular demands for specific industries are channelled through pressure groups, grassroots movements, and political demands for a particular policy (Rodrik, 1995, pg. 1459). Thirdly, iii) the model must characterize policymakers' preferences. For example, does Trump renegotiate NAFTA to get re-elected? Or does he renegotiate NAFTA to maximize social welfare? In other words, how does the policymaker characterize a trade policy in relation to the state's political objectives? Lastly, to know how policymakers' preferences are made it is necessary to identify the institutional setting that shapes the policy; "Is it the Congress or the executive branch that sets tariffs? Is the electoral system proportional representation or first-past-the-post? Are there international treaty obligations that rule out certain forms of trade interventions?" (Rodrik, 1995, pg. 1460).

It is clear that Rodrik presents a comprehensive multi-factor framework for determining why a state would enter or exit a free trade agreement based on the political interest groups that would benefit and lose from trade liberalization. Despite the applicability of the multi-factor political economy trade model, the models used by Rodrik and Rogowski are limited to long-term trade analysis and they do not provide a framework for examining short-term trade analysis on the domestic level. Therefore, the literature is weak in "specific-factor," or short-term, trade analysis as much of the literature relies on the long-term Stolper-Samuelson Theorem of wealth and income distribution (Stolper & Samuelson, 1941). The Stolper-Samuelson Theorem states that protection benefits (liberalization harms) owners of the factors of production (i.e. labour, capital, land) in which, relative to the rest of the world, that society is poorly endowed and uses that scarce factor intensively in production (Rogowski, 2000, pg. 318; Stolper & Samuelson, 1941). Conversely, trade liberalization benefits those factors that society holds abundantly and the producers who use those locally abundant factors intensively (Rogowski, 2000, pg. 318; Stolper & Samuelson, 1941).

In contrast to Rodrik, Ronald Rogowski in *Commerce and Coalitions: How Trade Affects Domestic Political Alignments* seeks to understand what the political consequences of shifts in wealth and income are. Rogowski uses three factors of production (i.e. labour, capital, and land) and two countries that rely on three assumptions about collective behaviour: i) beneficiaries of a change will try to accelerate the change, ii) those who see an expansion of wealth will see an expansion in political influences, and iii) as a particular political preference grows there will be bigger obstacles to collective action (i.e. the people working in the factor of production that lose) (Rogowski, 2000, pg. 319). Based on these premises Rogowski finds that free trade would lead to an urban-rural conflict (capital and labour versus landowners) and a class conflict (capital owners versus landowners and labour) (Rogowski, 2000, pg. 321). In the United States, capital is the abundant factor while labour is not the abundant factor relative to the rest of the world. Not only in the United States but across G20 nations there has been a downward trend in labour's share of income and an increasing capital share which is associated with higher inequality (OECD, 2015, pg. 2). Although it is difficult to tell if the decline in labour, as an abundant factor of production (in domestic economy), is a direct result of trade liberalization. In contrast to Rodrik, who concluded that trade policies can have "unanticipated effects unless their political consequences are taken into account" (Rodrik, 1995, pg. 1489), Rogowski finds that trade liberalization does lead to losses in the relatively scarce sectors (assuming labour and capital are immobile). As a result, Rogowski asserts that "the benefited sectors will seek to expand their political power [through political cleavages], if not by disfranchisement then by the curtailment of workers' economic prerogatives and suppression of their organizations." (Rogowski, 2000, pg. 321). At the heart of Rogowski's theory of international trade is that increases, or decreases, in the cost of international trade should "powerfully affect domestic political cleavages and should do so differently, but predictably, in countries with different factor endowments" (Rogowski, 1987, pg. 1121). Therefore, by contrasting three different methodologies ((i) Putnam's winsets, ii) Rodrik's multi-factor framework, iii) Rogowski's Stolper-Samuelson political cleavages theory) for explaining domestic factors that can persuade a country's trade policy, it is apparent that there is a wide range of

literature on this topic that needs to be unified because factors such as wealth inequality, political affiliations, and negotiating strategy cannot be analyzed in isolation from one another. Rather, such factors should be analyzed under a general multi-factor framework, such as Rodrik's, to build a more comprehensive model of both political and economic factors.

Areas of Policy Debate and Emerging Issues

In the literature, and in the developments of the NAFTA renegotiations, there are areas of debate in which the literature takes different approaches at understanding. Firstly, the largest area missing is a unified non-economic measurement of political support (i.e. how are individuals' trade policy preferences - acceptance or rejection of trade liberalization - influenced by non-economic factors?). Although Rodrik, Kirshner, and Gourevitch do incorporate non-economic measures, such as institutional and regime structure, they do not address the issue of political affiliation, rhetoric, religious and cultural trends that could influence a group's preferences for a particular trade policy. However, the literature does an exceptional job at defining the long-term winners and losers from free trade based on the Heckscher-Ohlin/Stolper-Samuelson trade model, but does not provide critical short-term analysis of the cost and benefits of liberalization.

Secondly, the literature does an effective job at complicating the political-economy of trade policy but it does not provide any substantial trade policy solutions (i.e. income distribution changes, supply management, or differences in transnational environmental regulation etc.). For example, Rodrik, Rogowski, Swank and Betz heavily based their income distribution analysis on the Stolper-Samuelson Theorem of trade policy. However, they did not establish any concrete policy recommendations that would be effective at identifying jobs that are displaced due to trade liberalization, and how to compensate those sectors that experience a loss from trade liberalization (e.g. U.S. Trade Adjustment Assistance (TAA) program).

Thirdly, there is a divergence on the importance of imports and exports in relation to costs and benefits of trade liberalization in the literature. Rodrik, Rogowski, Krugman, Swank and Betz did not

emphasize differences in trade surpluses and deficits as a benefit or cost when it comes to trade liberalization, since the terms of trade (exports/imports) statistically have a limited effect on changes in the exchange rate (Hooper & Kohlhagen, 1978, pg. 485). However, Gourevitch⁶, Rioux and Deblock based their analysis on the relative economic power a country has on the amount of exports the country is producing relative to other national economies. Therefore, more uniformity in the literature is needed in order to consolidate benefits and costs of trade liberalization on the domestic level with the international level.

Lastly, and most importantly, the literature did not do an effective job at consolidating many of the domestic incentives to enter a free trade agreement with the international incentives. Brander, Gourevitch, Putnam, Rioux and Deblock did an effective job at outlining the reasons why states enter a free trade agreement as a reactionary strategy to developments in the international system. For example, Rioux and Deblock state that one of the main reasons why the United States spearheaded NAFTA was due to a decline in North American exports relative to Asian and European exports (Rioux & Deblock, 1993, pg. 18). Thus, the North American motive to spearhead NAFTA was a reaction to changes in international trade competition. On the other hand, Rodrik, Rogowski, Krugman, and Kirshner assert that countries enter free trade agreements because they want to maximize their welfare on a national level, or to favour political interest groups for their own capital and political gain. Rodrik, Rogowski, Krugman, and Kirshner take an active position on a state's decision to enter a free trade agreement, while Brander, Gourevitch, Putnam, Rioux and Deblock take a reactive position on why a state decides to enter a free trade agreement. In the literature there needs to be more conversation between passive and active reasons to enter a free-trade agreement and the implications these approaches have on trade policy.

⁶ Neo-mercantilist literature does not deny the fact that the international economic system constrains states, nor “that the system affects the content of the policies which they formulate.” Instead neo-mercantilists challenge the tendencies of liberals, and other schools of thought in international relations, that underestimate the relevance of states (Gourevitch, 1978, pg. 894).

Conclusion & Further Research

From the given survey of the literature that discusses the political-economy of trade policy, it is clear that many of the long-term (major) factors that determine a country's decision to enter, exit or re-negotiate an FTA are known. However, there is a lack of practical policy recommendations to consolidate protectionist policies with trade liberalization. Secondly, there needs to be a more formal dialogue between the domestic and international camps of literature, since both "domestic" and "international" factors are discussed in isolation from one another. In building a more comprehensive analysis, further research will need to be conducted in identifying the impact of non-economic factors that influence individual, institutional, and structural preferences towards liberalization and protectionism. As well, there needs to be further analysis on the degree of influence geostrategic (international constraints) versus political cleavages (domestic constraints) have on a country's decision to enter or exit an FTA. Analysis between domestic and international factors that influence a country's trade policy also helps to consolidate the divergence between the domestic and international spheres in the literature. Given the multiplicity of factors that can influence a state's decision to enter or exit a FTA, there needs to be more uniformity in the literature to identify the most prevalent factors before implementing the literature findings into trade policy practice. This literature review is relevant, and important, because NAFTA represents 28 percent of the world's GDP (GAC, 2017), and combined with the fact that there is a lack of academic research on this subject in the face of looming NAFTA renegotiations, this literature review is an essential read for U.S. and Canadian policymakers focusing on reconciling the political-economic nexus of trade policy. Further academic, and non-academic, work on this subject is to ensure the most appropriate trade policy is applied to mitigating the negative effects of future and current FTA renegotiations.

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