

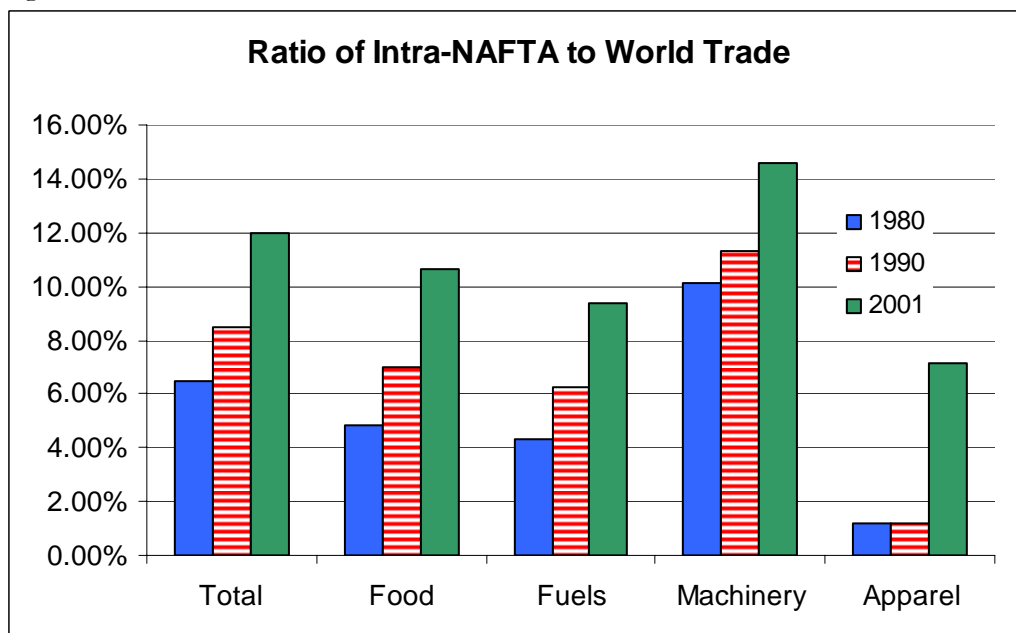
The Rise of NAFTA *Points of Migration, Points of Development*

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Within the now vast literature on globalization, two persistent themes include the rise of new regionalisms, and the fate of smaller economies being increasingly linked to global giants. While much of this discussion has focused on the European Union, the case of the North American Free Trade Agreement may be particularly instructive. First NAFTA arises at the same time as we spot the quickening pace of globalization; its fate seems more closely linked to that phenomenon than the much older EU. Second, since all three participants in NAFTA are major economies, it represents an excellent case with which to analyze the independent effects of creating more closely intertwined trade relationships. Finally, the juxtaposition of these three countries can also provide us with insights into how the linking of asymmetrically powerful economies shapes the fate of the smaller partners.

The rise of NAFTA as a global force is clear from Figure 1. As a percentage of total global trade, intra-NAFTA trade has become much more important, doubling from 1980 to 2001. In some areas such as apparel, intra-NAFTA trade was completely transformed by the 1994 agreement.

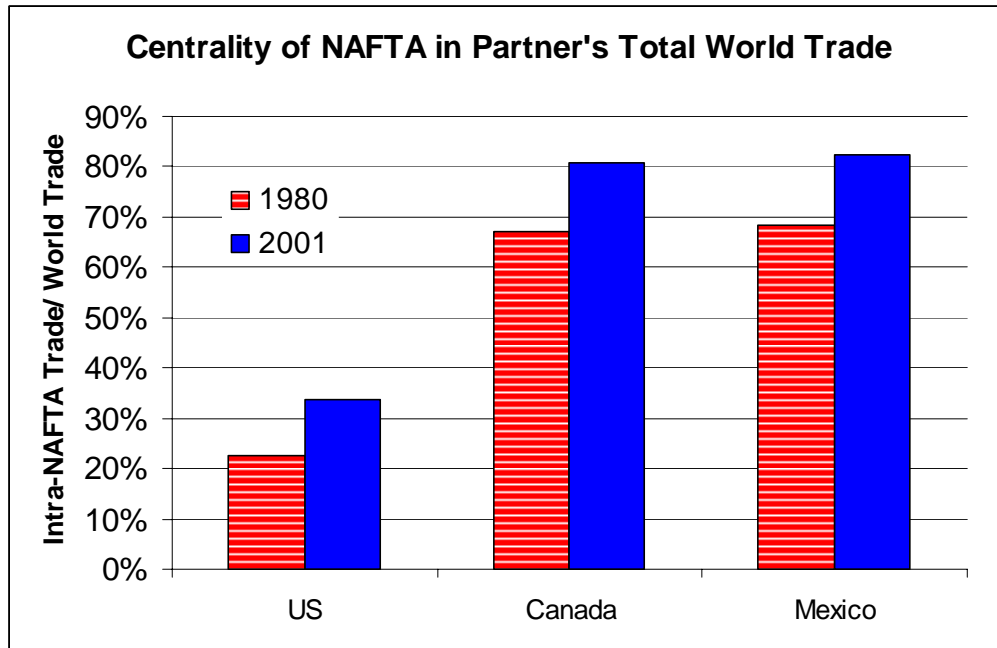
Figure 1:



For the participating countries, intra-NAFTA trade has also become much more important. While Canada and Mexico have always depended on the United States for a significant part of their trade, these countries now depend on the other two NAFTA parties (in both cases largely the United States) for four fifths of the total value of all their international transactions (Figure 2).

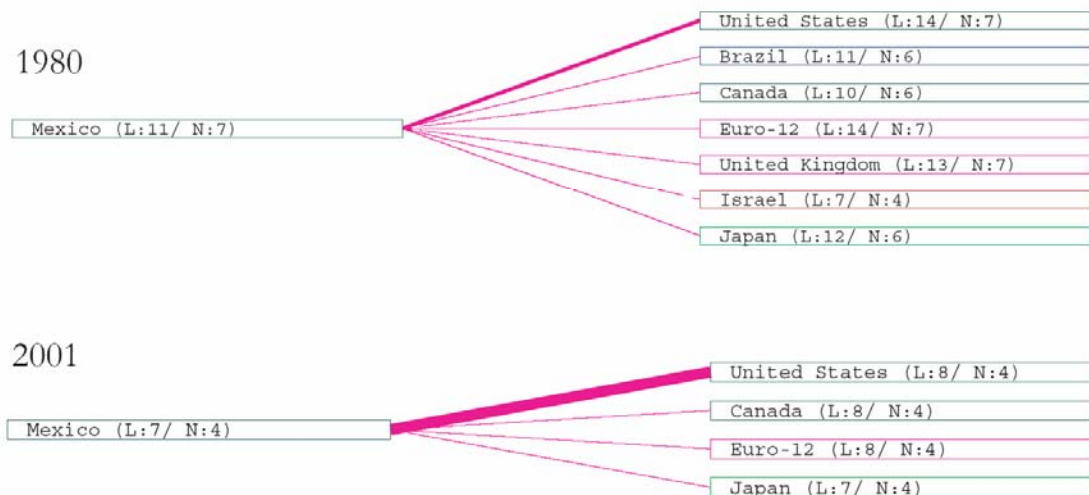
¹ Princeton University, University of Washington, University of Technology Sydney & NetMap Analytics
<http://www.princeton.edu/~ina/gkg/>

Figure 2:



A more detailed picture of Mexico's trade between 1980 and 2001 indicates that Mexico's major trading partners have become more limited and that its dependence on the US has become more pronounced.

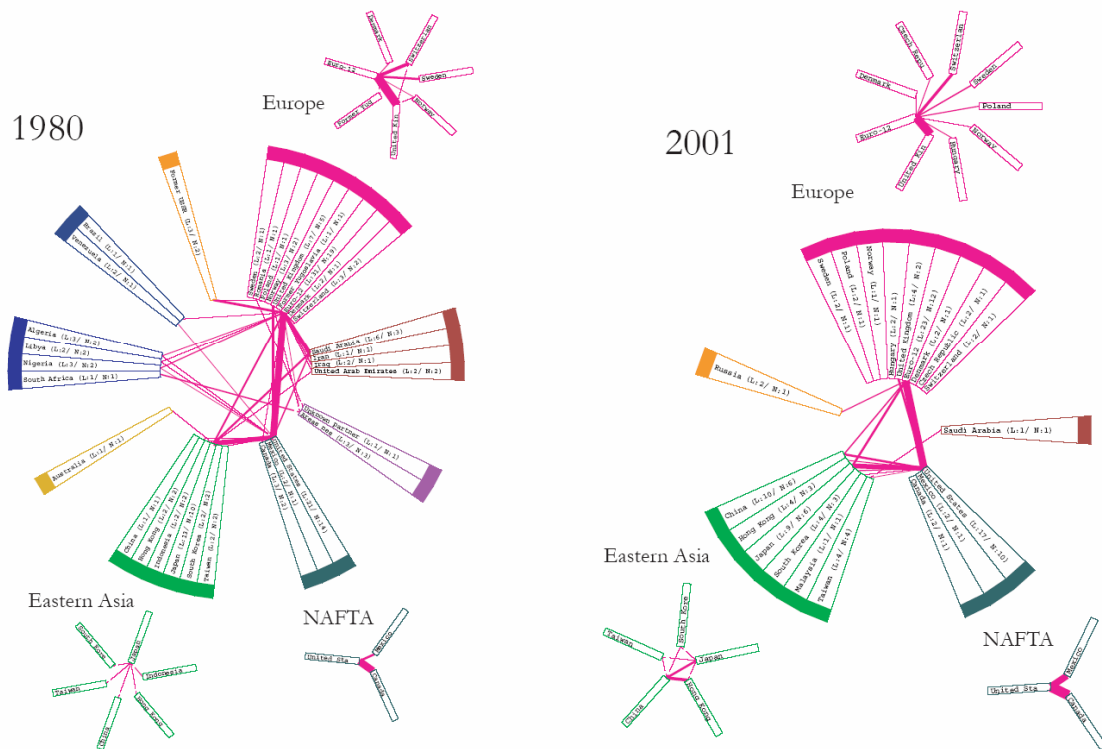
Figure 3: Mexico's Trading Partners in All Commodities
with Export or Import Values $\geq 1\%$ of Mexico's World Trade



While the increasingly dense trading links within NAFTA indicate a growing regionalism, we can also note indications of regionalism in global trade. Demonstrating long

term trends, Figure 4 shows that global trade has changed remarkably from 1980 to 2001. Looking at just the top 50% of world trade², we can see this increased regionalism in two ways. First, the number of major players has shrunk, simplifying interregional trade so that the global trade network now resembles a triangle between East Asia, Western Europe and NAFTA (seen clearly in the very center of the figure). Just as importantly, there is much more integration within the individual regions (seen in the small clusters of countries surrounding the image of interregional trade³).

Figure 4: Top 50% of World Trade in All Commodities



These shifts are even more dramatic if we look at specific trade sectors. In the case of Apparel (Figure 5) we can note the continued centrality of Asian countries (but with increasing importance of China) as well as the appearance of Mexico in the US orbit. For Machinery (Figure 6), we note a similar pattern as observed in total trade: increasing regionalization.

² That is, the first half of world trade on a cumulative basis which allows us to look at the largest global bilateral links.

³ The small clusters surrounding the central wheel duplicate the countries shown in the regional wedges of the large central wheel and map out the trade relationships within the region. This is done to show the intra-regional relationships that would otherwise be obscured in the center of the wheel because the lines connecting the inner edge of the country boxes would overlay one another.

Figure 5: Top 50% of World Trade in Apparel

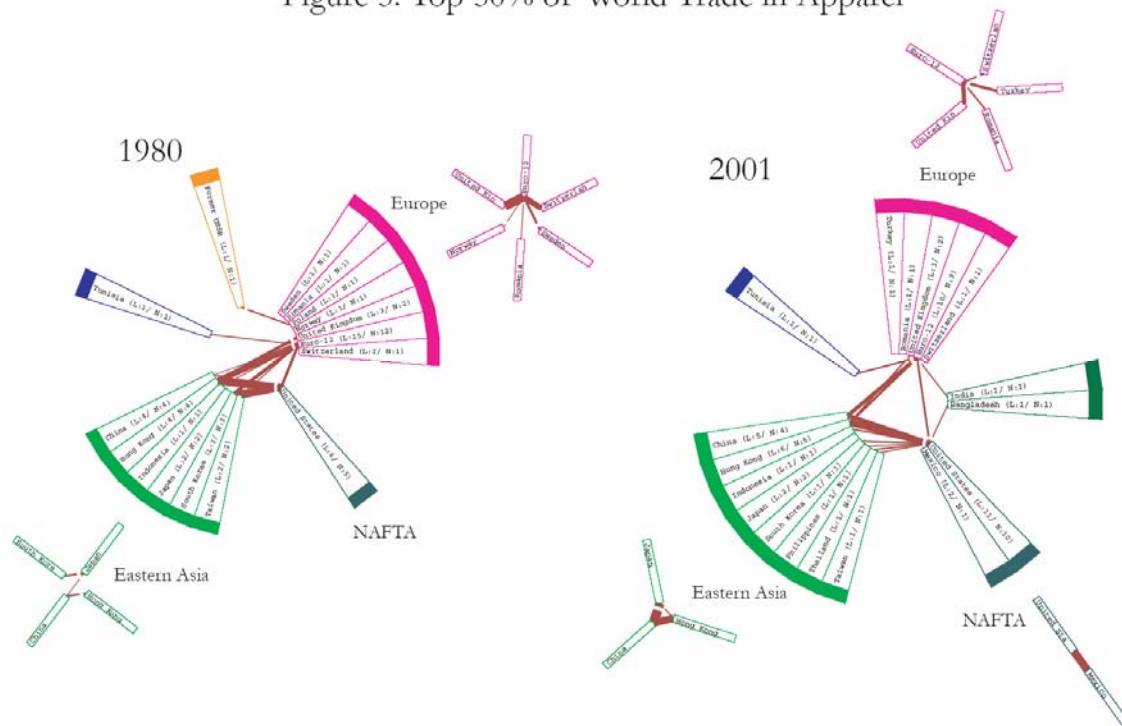


Figure 6: Top 50% of World Trade in Machinery

