

NAFTA: Honda Motor Company or Free Trade in the Real World

This case introduces key issues regarding how international trade agreements such as the North American Free Trade Agreement (NAFTA) influence competitive strategies, especially through domestic content rules toward the automobile industry. The case reviews the 1965 United States–Canada Auto Pact and policies toward the automobile industry of the U.S.–Canada Free Trade Area (FTA) and ultimately the government of Mexico. This case was written by Gunter Dufey and Michael P. Ryan. It is not intended to illustrate either effective or ineffective managerial practices.

The Honda Motor Company had earned a reputation in the North American market for smart car making which made it the envy of its competitors, Japanese and American alike. Automotive industry analysts and business writers complimented the company for doing things right consistently, whether making North America's top selling car or "localizing" its operations in the United States. While Honda's reputation for engineering and marketing skills held up well even when sales were weak in North American car markets, its credibility for claiming that cars built in North America were made with about 75% domestic content received a damaging blow. During the summer of 1991, the U.S. Customs Service leaked to the press results from an internal study of the Civic, which asserted that domestic content did not meet the 50% threshold specified under the U.S.–Canadian Auto Pact. Hence, Honda would be asked to pay the U.S. \$18.6 million in import tariffs for 91,506 Civic hatchbacks shipped from Canada to the U.S. Was this yet another case of Japanese perfidiousness subverting fair trade rules?

Honda Confronts the U.S. Customs Service

Honda officials were livid at the news. They declared that they had invested \$2.4 billion in three Ohio facilities and employed 10,200 American workers so that they would be treated by the U.S. Customs Service as a North American company and not pay border tariffs. Honda operates two automobile assembly plants in Marysville and East Liberty, Ohio; an engine plant in Anna, Ohio; and an assembly plant for Civics in Alliston, Ontario. Even the government of Canada was angry about the U.S. Customs allegations. Canadian Customs officials had already ruled that the Civic had a 66% domestic content. For Canadian policy makers, the more fundamental issue was that if the U.S. decision was upheld, it would discourage future foreign investment in Canada. Moreover, the U.S. Customs ruling took on special significance because negotiations of the North American Free Trade Agreement (NAFTA) were then at a crucial stage.

The Japanese government and public were angry about what was happening to Honda because American negotiators from the Office of the U.S. Trade Representative (USTR) and the Commerce Department had for years pressured the Japanese government and companies to invest more manufacturing in the U.S. In the eyes of the Japanese, the American government was breaking a deal. Japanese government officials complained about the broken deal to USTR, the Commerce Department, the

Treasury Department (which supervised the Customs Service), the State Department and the White House.

Thus, U.S. policy makers were confronted not only by complaints from Honda, but from the Japanese and Canadian governments. Within the U.S. government, there was no unanimity on how to respond to the flap. Treasury, USTR and the White House were concerned about the NAFTA negotiations, Japanese investment, Honda's plan to export Accords from the U.S. to Europe and Japan, and generally with relations with Japan and Canada. Hence, they questioned the quality of the analysis undertaken by Customs. Officials in Treasury and the White House had kept the report bottled up for months—and were annoyed when the contents of the report leaked to the press in June 1991.

On the other hand, the White House was always very concerned about the Big Three automakers in Detroit. General Motors, Ford, Chrysler and the United Autoworkers Union were angry about Japanese business practices in both Japan and North America. In Japan, the Detroit automakers alleged, the market was essentially closed to American car imports. The days when quality was low, performance was poor, and the exchange rate was favorable, were gone. The Big Three were confident that they had cars which would sell in Japan, if given the opportunity. In North America, the Detroit automakers alleged that the Japanese car makers were duplicating their *keiretsu* supplier network with screwdriver assembly operations dotted around rural, nonunion regions. In 1992, President George Bush was accused of taking too little action about the recession and being "out of touch" with the working people in America and since it was a presidential election year, he took a plane full of executives with him on his January trip to Japan. The Big Three leadership dominated the media coverage with criticisms of Japanese business practices and the trip was seen as a failure by all concerned.

The Honda customs dispute had become a symbol of 1990s–style U.S.–Japan trade problems and, in March 1992, the Customs Service announced that it would charge a 2.5% duty on Civics imported from Canada and thus collect \$18.6 million from Honda. The Canadian government denounced the action and stated that it threatened the NAFTA negotiations. This incident was another manifestation of the fact that the regional economic cooperation in North America and the automobile industry had, since the 1960s, been economically and politically inseparable.

What is the 1965 U.S.–Canada Auto Pact?

The idea of economic integration between Canada and the U.S. has deep roots. Between 1854 and 1866, the two countries carried on bilateral trade in some sectors without tariff barriers. A bilateral free trade agreement negotiated in 1874 was rejected by the U.S. Senate, was renegotiated in 1911, but rejected by the Canadians in a referendum. Another unsuccessful attempt was tried in 1947–1948. The idea was discussed sporadically during the postwar era; however, no pact was achieved until the

1960s. At the surface, the fundamental attraction for the Canadians was always better access to the huge American consumer market. The fundamental attraction for the Americans was always better access to the enormous stock of Canadian natural resources. Nevertheless, economic integration actually started in the automobile sector.

Bilateral trade between the U.S. and Canada is larger in autos and auto parts than in any other sector. The first effort at economic policy integration between the U.S. and Canada started with the auto sector.¹ The Automotive Products Trade Agreement of 1965 (the Auto Pact), signed by the governments of both countries, allowed for the first time tariff-free passage of most auto parts. The agreement was prompted by American complaints that the Canadian government was offering export subsidies to unfairly encourage auto production in Canada. For their part, the Canadian government wanted to promote industrial development in their country. The agreement aimed to help the Canadian government in achieving their goals, while protecting the American auto manufacturing base in the process.

In addition to tariff elimination between the U.S. and Canada, the Auto Pact had several interesting features. In order to qualify for duty-free status, firms based in Canada were required to produce approximately as many cars in Canada as they sell in Canada. Qualifying firms also had to exceed 60% Canadian value-added for cars sold in Canada. The agreement seemed to serve the objectives of both governments. Nevertheless, over time, the auto sector became a source of much friction between the two governments. The Canadian government began to offer tariff-free status to overseas firms if they met production targets in Canada. The U.S. government complained that this policy unfairly diverted foreign-firm production to Canada. The Canadian government also began to rebate the import tariff charged on autos from third countries (about 9%) if they would export auto parts to the U.S. This policy, in effect, offered an export subsidy to overseas producers and ran afoul of the General Agreement on Tariffs and Trade (GATT) Subsidies Code and U.S. subsidy/countervailing duty laws. The U.S.–Canada Free Trade Agreement (FTA) negotiations addressed these problems.

How Did the U.S.–Canada Free Trade Agreement Influence Automaker Strategy?

The FTA came into force on January 1, 1989. It eliminated tariffs between the two countries over a ten-year phase-in period. The treaty partners agreed to offer national treatment with regard to foreign direct investment, with the exception of financial and cultural institutions. Indeed, cultural institutions are exempt from almost all aspects of the FTA. Financial services barriers have been lowered, though still exist in national laws such as the U.S. Glass–Steagall Act (which separates investment and commercial banking). The U.S. and Canada agreed to offer national treatment with regard to product standards, certification and licensing in goods and services. They further agreed to continue to negotiate toward common, harmonized standards and licensing procedures. The FTA also opened government procurement by lowering the threshold

from \$171,000 to \$25,000 for purchases covered by the GATT Government Procurement Code. (However, the liberalization of government procurement does not apply to provincial, state and local governments.) The two countries agreed to special bilateral procedures to settle disputes regarding alleged government subsidies to industry. Finally, the FTA agreement establishes the Canada–U.S. Trade Commission to resolve problems of implementation.

After the FTA, however, the automobile sector remained more complicated than other manufactured goods sectors. The Canadians agreed to eliminate the tariff rebate that it had been offering foreign auto firms which exported to the U.S. The U.S. view in the negotiations was that it was fine for the Canadian government to seek to diversify auto production in Canada away from U.S. firms, but it was not fine to ship the cars tariff-free to the U.S. or to send the cars back to Japan or to Europe or elsewhere.

Nevertheless, the FTA did provide a means through which foreign firms producing in Canada under the Auto Pact could continue to import into Canada tariff-free, provided that 50% of the content was produced in North America. This was the "domestic content" (or "local" content) rule of the U.S.–Canada FTA and it was this rule which was at issue in the Honda customs dispute.

Politics—or the Fine Point in Customs Definitions

The U.S.–Canada FTA provided that there were two principal ways to earn duty-free status on trans-U.S.–Canada trade: (1) when the good is wholly obtained or produced in one or both of the two countries; or (2) when the good undergoes a "substantial transformation" (sufficient processing and assembly in the U.S. or Canada to transform it under the rules of origin so that it would be reclassified for customs purposes). All imported goods are classified by the U.S. Customs Service according to the Harmonized Tariff Schedule, which is a global system by which a good is classified, and then a duty is applied according to its classification.

Since the Honda Civic was obviously not "wholly obtained or produced" in either the U.S. or Canada, Honda would have to insure that it passed the second test in order to enter the U.S. duty-free from the Ontario assembly plant. Honda asserted to customs officials in the U.S. and Canada that the domestic content of the Civic was 75%, if overhead costs were included, and 69% if overhead costs were excluded. Since the U.S.–Canada FTA does not permit the inclusion of overhead costs, Honda maintained that it nevertheless comfortably cleared the 50% bar by the still substantial lower margin. Canadian customs officials (Revenue Canada) concluded that the domestic content of the Civic was 66% and thus entitled to duty-free status, but U.S. Customs ruled that the Civic domestic content was 45.9% and thus not entitled to duty-free status when entering the U.S. At the heart of the sizable gap in perspectives over the domestic content data was Honda's nifty 1.5 liter, 4 cylinder Civic engine made at Honda's Anna, Ohio facility and shipped to the Civic hatchback assembly plant in Alliston, Ontario. All parties agreed that clearing the hurdle depended upon

classification of the engine as U.S. domestic content. However, this point was all the parties agreed on.

Honda imported aluminum ingot and cast iron blocks from Japan and shipped these components to its Anna plant to cast, machine and polish each one into cylinder heads and blocks. Casting, machining and polishing were direct costs of processing, according to Honda. Thus, the cylinder heads and blocks were U.S. content. Next, the cylinder heads and blocks were assembled by Anna workers with other components imported from Japan. Since the value of the cylinder heads and blocks exceeded the values of the other components, since the value of the direct costs of assembly counted, and since the Customs practice was to take any component which cleared the 50% hurdle and "roll it up" to 100%, Honda and Revenue Canada determined that the Anna engine was 100% North American content. Since the engine is one of the highest value components of an automobile, the Alliston Civic also cleared the 50% hurdle and was rolled up to 100% North American in content. Thus, they determined Honda would pay no duty at U.S. ports of entry.

The U.S. Customs Service denied that the casting, machining and polishing of the aluminum ingot and cast iron for the engine cylinder heads and blocks could be counted as American content. As the FTA pointed out, only the "direct costs of assembly and the direct costs of processing" could be counted. Since casting, machining and polishing was not "assembly and processing" (but merely processing), the engine cylinder heads and blocks had never been transformed from Japanese content under the rules of origin. Thus, Customs defined the "and" conjunction between "assembly" and "processing" as meaning that both conditions must be met to satisfy the test. Once the expensive cylinder heads and blocks were classified as Japanese content, the "rolling up" procedure led to the Alliston Civic being Japanese, not North American.

Lawyers for Honda and independent legal scholars have argued that since the aluminum ingots and cast iron blocks entered the U.S. under one tariff classification and left for Canada reclassified as engines, the usual test for substantial transformation had already been passed and thus the "assembly and processing" issue was irrelevant.² Honda maintained that the intent of the FTA was that either assembly "or" processing could substantially transform a good. Honda's lawyers described the U.S. Customs decision as "based on erroneous, unreasonable and bizarre interpretations" of the provisions in the FTA³ and contended that Customs was using a textual, legal trick to justify its politically motivated goal of penalizing Honda (and all other Japanese producers) to the benefit of the Big Three. Honda announced that it would appeal the Customs decision to the U.S. Court of International Trade (a federal court in Washington) and the binational trade dispute settlement panel established under the FTA.

The Honda dispute, however, became caught up in the NAFTA negotiations and finally, common sense prevailed. The governments of Canada and the U.S. agreed to settle the "Honda" problem through the drafting of the new trilateral treaty. Thus, whereas

domestic content had been an obscure issue in the U.S.–Canada FTA negotiations, it would be a core issue in the NAFTA talks. The Big Three and the UAW saw in Mexico a low-wage assembly platform which Honda, Toyota, Nissan and others could exploit to ship cars duty-free to the U.S. The dispute over Civics thus had come to be more about Mexico than about Ontario.

Why Did Mexico Want a NAFTA?

From the era of the Great Depression in the 1930s until the 1980s Mexico pursued a development strategy with import substitutions as a key component. The strategy failed to produce much national economic growth. Beginning in the 1970s, the oil potential of Mexico allowed substantial new inputs of foreign capital. However, inwardly-oriented, domestic industry trade protection policies persisted. Hence, the additional capital did not lead Mexico to globally competitive industries and export earnings, but to more failing industries and crippling indebtedness to private and public international lending institutions.

The crisis for the Mexican economy occurred in late summer and fall of 1982 when the government announced to the international lenders that it could not meet its debt service obligations. The peso quickly devalued from 27 to 150 per dollar and firms with foreign debts were in financial distress. The Mexican government, cut off from international capital, watched its budget deficit become almost 18% of GDP. Real manufacturing wages for workers plummeted by 20% between 1980 and 1983.⁴

Under the leadership of President Miguel de la Madrid Hurtado, who took office in December 1982, the Mexican government first imposed an austere economic policy, then gradually moved toward a more outwardly-oriented, pro-export development strategy. Mexico lowered import barriers, privatized industries and joined GATT. In March 1990, under the leadership of President Carlos Salinas de Gotari, the Mexican government initiated negotiations with the U.S. for a free trade area. Within the Mexican government, supporters of economic integration with the U.S. contended that their country's economic future depended upon a closer relationship with the U.S., not Europe, not Japan, and not the countries to their south. President Bush supported the negotiations, which came to include the Canadians, in part, because of U.S. frustrations with the slow pace and uncertain outcome of the Uruguay Round of multilateral trade negotiations under GATT.

Free trade areas discussions between Mexico on one hand and the U.S. and Canada on the other faced problems unlike the challenges faced and met in the U.S.–Canada negotiations. The U.S. and Canadian economies mirror each other (albeit the Canadian economy is much smaller). According to the World Bank's 1992 *World Development Report*, U.S. and Canadian Gross National Product per capita are nearly the same (U.S.: \$21,790; Canada: \$20,470). The levels of economic development are the same as well as technologically similar and highly integrated. The political systems and cultural traditions are similar, at least on the surface. By contrast, Mexico is a

developing country economically. Its GNP per capita is only \$2,490; its industries are typically not very technologically advanced and its political system (single party dominance) and cultural traditions are quite different.

How Have Mexican Government Policies Influenced Car Companies' Strategies?

Mexican government policy has influenced the type of automobile production which has taken place in Mexico. Until the early 1960s, automobile production in Mexico amounted to 50,000 units, was for domestic consumption only, and involved little (less than 20%) local content. In 1962, a presidential automobile decree established the goal of 60% Mexican value added; that is, the government of Mexico prohibited the importation of completed engines and other major mechanical components. This 1962 decree resulted in a sheltered, inefficient, technologically backward and uncompetitive domestic auto industry.⁵

Mexico began to switch from import substitution to export promotion as a state development strategy with the introduction of a 1977 presidential decree which required that foreign-owned automobile plants export substantial proportions of production. After this decree, all the multinational assemblers operating in Mexico—GM, Ford, Chrysler, Volkswagen, Nissan and Renault (since taken over by Chrysler)—constructed substantial engine plants in northern Mexico in which production was primarily for export. Mexican government policy change, however, was not the only cause of strategy change by the automakers. During 1981–1982, demand for autos in Mexico collapsed and competition from the Japanese makers in the U.S. market helped produce billion dollar losses for the U.S. Big Three automakers who consequently began actively considering ways to bring down production costs, including costs incurred in their Mexican operations.

In 1983, a presidential decree, known as the "Rationalization of the Car Industry" policy, established three basic requirements for automakers in Mexico. First, each assembler was permitted only one production line for the domestic market. The expected result was higher volumes per model, greater efficiencies, and therefore lower prices for the domestic market. Second, assemblers were permitted to have a second production line for export, thereby local content and exports were linked: if 56% of production were exported, then local content must be at least 56%; if 80% of production were exported, then local content must be only 30%. Finally, automakers must maintain a positive balance of exports over imports. The producers realized that if high export levels were achieved, then vehicles with a lower content requirement could be built in Mexico and shipped to the U.S. market at potentially significant cost savings over U.S./Canadian-built cars.⁶

In part because of Mexico's 1983 "rationalization" policy, from 1983–1989, export sales increased twelve times faster than domestic sales: from 22,546 to 195,999 in 1989, a rate of increase which averaged 129% per year. By 1989, export sales constituted 30% of all vehicle sales. In 1983, exports had constituted only about 7% of total vehicle

sales. Also, engine exports doubled, from 708,000 in 1983 to 1.5 million in 1989. Consequently, Mexico has become an important player in the global auto industry.

In 1989, the Mexican government announced another new policy regarding the automobile industry. This new policy had three key provisions. First, during 1991 and 1992 the total number of vehicles imported into Mexico could not exceed 15% of the number of vehicles sold in the domestic market (20% in 1993 and 1994). Second, in order to be able to import into Mexico, automakers must maintain a positive trade balance: in 1991, exports must equal 2.5 pesos/dollars to the 1 peso/dollar of imports; in 1992, 2.0 pesos/dollars to the 1 peso/dollar; in 1993, 1.75 pesos/dollars to the 1 peso/dollar. Third, at least 36% of the value-added in vehicles must be comprised of components produced in Mexico and at least 36% of the components must be made by the domestic auto parts industry.

The 1989 auto policy aimed to increase the global competitiveness of Mexico's vehicle and parts producers. The policy liberalized the conditions under which foreign producers could operate in Mexico; therefore, foreign-owned companies could achieve greater economies of scale, freely choose which models to produce domestically or import and produce parts without restrictions.

Mexican government policy changes during the 1970s and 1980s also resulted in auto production in four types of plants: (1) the traditional; (2) the maquiladora; (3) the world-class; and (4) the transitional. Traditional parts and assembly plants date to the old import-substitution days. There are hundreds of these plants in Mexico. Equipment often dates to World War II. Production organization and processes are archaic, production volume is low and overall, these plants tend to be labor-intensive. The workforce tends to be male (about 90%), averaging thirty years in age and who possess low to medium level skills. Foreign automakers built plants such as these in the 1960s in central and southern Mexico, such as the GM and Chrysler plants in Toluca and Mexico City, the Nissan plant in Cuernavaca, the Volkswagen plant in Puebla and the Ford plant in Cuautitlan.⁷

For many years, maquiladora plants existed as production islands which were separated from the domestic auto industry in Mexico. That is, while physically located in Mexico, their inputs and outputs were integrated into the foreign operations of their multinational parents. Maquiladoras are sometimes called "screwdriver" plants because most involve simple assembly work. Maquiladora auto production takes place in about 2,000 plants, employs over 500,000 workers and earns over \$2 billion in export earnings for Mexico. Automobile related component production represents about 40% of total maquiladora production. Maquiladora workers tend to be female (60% – 75%) ranging from 16 years – 25 years in age who possess only education at the primary school level. They tend to receive very little training and to have few opportunities for advancement.

Mexico is also home to several world-class, export-oriented assembly, engine and major components plants. They were built in northern Mexico as a result of the export-

promotion policy of the Mexican government. Examples include the Ford plants in Hermosillo and Chihuahua, the GM plants in Ramos Arizpe and Silao, the Chrysler plants in Saltillo and the Nissan plants in Aguascalientes.⁸ Indeed, a "Detroit" of Mexico may be forming at Saltillo, just southwest of industrial center Monterrey.⁹ The challenges for the MNC automakers are: how could complex production processes, such as needed to manufacture engines, be transferred to a developing country? Would the cost and quality penalties be prohibitively high? The experience of the last decade is that these plants produce quality comparable to production in U.S. and Canadian plants. Most of the plants are located in northern Mexico (though not directly on the border, as are most of the maquiladoras). Production tends to be relatively low in local content (about 30%) and usually exported (about 90%). Production processes in these world-class plants are complex and highly automated. Many are "lean production" plants which require highly skilled workers. Workers are typically male (over 90%), about 25 years old and possess a secondary and technical education, which allow significant opportunities for advancement. In 1993, these autoworkers earned more than \$14,000 on average.

Many auto production plants in Mexico are "transition" plants in which production equipment, processes and management structures are being converted from traditional or maquiladora plants to world-class plants. The managers of these plants believe that survival for auto production in the rapidly changing Mexican environment depends upon successful conversion of these plants. This turbulent Mexican business, political and social environment poses tremendous organizational and production challenges for managers of these old plants.

Overall, the Mexican automobile industry became intensely competitive during the 1980s. In the 1990s, NAFTA will further encourage investment and competition in the Mexican auto industry.

Domestic Content under NAFTA

The NAFTA negotiators resolved the Honda customs dispute in a way which should be satisfactory to Honda in the short-term but, in the long-term, may negatively influence the production, trade and investment decisions of Honda and other foreign car makers. NAFTA includes special domestic content and origin rules for the automobile and auto parts sectors which eliminate the distinction between assembly and processing as well as the roll down rule. Instead, the rules specify certain costs which do not count—marketing, after sales service and certain interest costs.¹⁰ Under this formula, Honda easily clears the 50% hurdle. However, the NAFTA raises the hurdle over time. For passenger vehicles and light trucks, the 50% standard remains until January 1, 1998 when it goes up to 56%. Beginning on January 1, 2002, the standard is raised to 62.5%. For other vehicles and car parts, the hurdles are 50%, 55% and 60% respectively. Nonauto sectors have their own domestic content and origin rules. Thus, it becomes clear, for example, why the U.S.–Israel Free Trade Agreement text covers 19 pages while the NAFTA text covers more than 1,000 pages.

During 1994, Honda and other foreign car makers announced that they would be making substantial new investments in production capacity in North America.¹¹ Honda said that it would expand assembly capacity at its Ohio and Ontario plants, expand its engine-making capacity at the Anna plant and raise exports to 150,000 units by 1999 (an increase from about 40,000 in 1993). In summer 1994, Honda began construction on an assembly plant in El Salto, Mexico (near Guadalajara, where it expects to produce 15,000 cars per year with 250 workers beginning in 1995.¹² Honda announced that the three year slide in the value of the U.S. dollar in terms of yen was the most important motivation for its decisions. Similarly, Toyota, BMW and Daimler-Benz have announced new investments in North American productive capacity.

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Footnotes

1. Interestingly, the first successful attempt to integrate the European economies was on a sectoral basis. The precursor of the EC was the European Coal and Steel Community (ECSC) which integrated industries which were crucial to national security.

2. Cantin, F.P. and A.F. Lowenfeld. 1993. Rules of Origin, the Canada-U.S. FTA, and the Honda Case. *American Journal of International Law* 87(3): 375–390.

3. *The New York Times* (3 March 1992), C1.

4. Frieden, J. 1991. *Debt, Development, and Democracy: Modern Political Economy of Latin America, 1965-1985*. Princeton University Press: Princeton, NJ. pp. 218–219.

5. Bennett, D.C. and K.E. Sharpe. 1985. *Transnational Corporations versus the State: The Political Economy of the Mexican Auto Industry*. Princeton University Press: Princeton, NJ.

6. This section is based upon the research of P. Roberto Garcia, Ph.D. student at the University of Michigan Business School.

7. DePalma, A. 1993. An Auto Sea Change in Mexico. *The New York Times* (16 December), D1.

8. Ibid.

9. Templin, N. 1994. Mexican Industrial Belt is Beginning to Form as Car Makers Expand. *The New York Times* (29 June), A1.

10. Cantin and Lowenfeld, "Rules of Origin and the Honda Case," 388.

11. Miller, K. 1994. Honda to Boost North American Vehicle Capacity. *Wall Street Journal* (20 July), A2.

12. *The Wall Street Journal* (10 May 1994), B4.

Discussion and Study Questions

1. What was the basis of the U.S. Customs Service's decision that Honda should pay the 2.5% tariff on Civics at the U.S. border? What was Honda's counter-argument? Was it a legal trick Customs pulled with bigger purposes in mind?
2. How did each of the various actors influenced by the Customs decision react politically? How was the Honda dispute bigger than \$18 million in import tariffs? How was it related to the NAFTA negotiations?
3. Why would the difference between a "free trade area," a "customs union" and a "common market" matter here?
4. Is economic cooperation or integration more difficult for developing countries than for advanced industrialized societies? Why did Mexico initiate negotiations with the U.S. and Canada for NAFTA?
5. Are regional economic blocs a step toward global free trade or a step away from it?
6. What economic and political arguments can be made in favor of economic cooperation within the Western Hemisphere?
7. How has the Mexican government policy change influenced the competitive strategies of multinational automakers?
8. How will the NAFTA affect automaker strategy in the North American markets?
9. What are the pros and cons of domestic content rules as a matter of trade and industrial policy? What impact do they have in "free trade" agreements?
10. How will changes in the Mexican auto industry change the country economically, socially and politically?
11. Has the dollar-yen exchange rate change made the domestic content rules of NAFTA "much ado about nothing?"