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How Has NAFTA Affected the Business Relationship Between the United States and Mexico?

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I. Abstract

This paper researches the effects NAFTA has had on the relationship between Mexico and the United States. It positions the question of why Mexico chose to enter the agreement within a larger historical context, debating the economic and social effects on the country as a whole. This study shows how economic trends have changed prior to and since Mexico joined NAFTA. It elaborates on the specific dynamics of what it means for the two countries to interact with each other on a cultural level, under the framework explained by Geert Hofstede's cultural dimensions. Then, it poses recommendations for ways that managers and executives from the United States can use these cultural understandings to avoid corporate-level miscommunications and missteps.

Because NAFTA is currently being renegotiated, this paper also discusses the current state of affairs in regards to that process. With updates from as recently as May 4, 2018, the paper weighs possible outcomes of the renegotiations, taking into consideration variables such as the elections occurring in both the United States and Mexico before the end of the year. Finally, this paper concludes that the business relationship between the two countries would not be as developed or as interdependent as it is today without NAFTA.

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II. Introduction

The relationship that Mexico and the United States have now has been developing for decades – realistically, these nations have been linked since their inception. Prior to the current business relationship, the two countries were linked due to other undeniable factors: the 2000 mile border they share; tourism, travel, and migration; and certain environmental and health concerns that affect them both (Villarreal, "U.S.-Mexico…", 36). Over the last few decades, trade, production, immigration, and more have contributed to strengthening the bond between these two nations. However, these two countries have not always been so intertwined.

Beginning in the 1930s, Mexico maintained a strong protectionist attitude towards business and trade with the rest of the world that lasted for almost 50 years. Generally speaking, "protectionist" can be defined as advocating for "government economic protection for domestic producers through restrictions on foreign competitors" ("Protectionist"). The Mexican government's goal was to stimulate its own financial system without having to become too dependent on other nations to be successful economically. The government established an import substitution policy, hesitant to engage in import-export activity beyond what was immediately necessary. This policy provided blanket protection for the entire national industrial sector, allowing Mexican companies to focus on the production and sale of local products and services within Mexican borders. The government also placed tight restrictions on foreign investment, nationalized the oil industry, and strictly controlled the exchange rate of the peso (Villarreal, "Mexico's Free Trade…", 113). Through these policies, the Mexican government hoped to stimulate domestic-led industrialization, without having to rely on other nations to do so (Cid and Villarreal 133). Despite these efforts, this alone was not enough to maintain economic stability or to effectively industrialize the nation.

By the 1980s, the negative effects of decades of protectionist policy in Mexico became painfully evident. Hyperinflation was rising exponentially and had reached a staggering rate of 180 percent in 1988 (Jessup and Jessup 4). The standard of living across the country was rapidly declining throughout the decade into the early 1990s. According to Jay and Maggie Jessup in *Doing Business in Mexico,* "overreliance on oil revenues and a subsequent crash in oil prices put Mexico's economy in a dangerous situation" (3). Mexico's history of poor economic decisions, coupled with the government's inability to meet its foreign debts, were the main contributing factors to the subsequent financial crisis of 1982 and to the economic challenges the country faced throughout the next decade. The government had exhausted all sources of financing, and it was left with few choices to fix its situation. It was becoming clearer to the government that the protectionist approach from the past 50 years was not having the desired effects on the economy. As a result, severe downturn in economic stability pushed the country to make a drastic policy change.

The Mexican government spent the next few years, between the debt crisis in 1982 and the signing of NAFTA in 1994, completely restructuring its approach to trade barriers. The president at the time, Miguel de la Madrid, took active steps in order to completely reverse these failed policies of the past. His new approach was to initiate a plan to start opening and liberalizing the economy by replacing the outdated, protectionist measures, such as the import substitution policy, with a more liberal trade stance. The president hoped to boost foreign direct investment, lower trade barriers, and increase competitive advantage for non-oil exports (Cid and Villarreal 133). He started to encourage more foreign trade and to release the tight grip on the value of the peso. These measures were the first of many actions taken to guide the country towards unilateral trade liberalization by the 1990s.

After the debt crisis in 1982, opening Mexico to trade liberalization was not just an option, but a necessity. Thus, in 1986, the country became a part of the General Agreement on Tariffs and Trade (GATT), which was one of the government's first steps to a closer relationship with the United States (Cid and Villarreal 133). GATT was originally drafted in 1947, with the purpose of "substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis" ("GATT/WTO"). This, combined with two other trade and investment understandings – "The Framework of Principles and Procedures for Consultation Regarding Trade and Investment Relations" entered in November 1987, and "The Understanding Regarding Trade and Investment Facilitation Talks" entered in October 1989 – paved the way for discussions about a formal, more specific free trade agreement between the United States and Mexico (Cid and Villarreal 133). The 1987 agreement was the first legal governing framework between any two countries to specifically oversee commercial relations. Both that and the 1989 "Understanding Regarding Trade and Investment Facilitation Talks" helped to facilitate discussions through which the countries could negotiate terms of trade alliances, work towards the reduction of barriers, and the expansion of their trade-based relationship (Cid and Villarreal 133). These two agreements, in conjunction with GATT, set an important precedent, leading directly to the formation and perpetuation of an enduring business relationship.

On January 1, 1994, the North American Free Trade Agreement (NAFTA) took effect after being signed in 1993 by the former United States President Bill Clinton, former Mexican President Carlos Salinas de Gortari, and former Canadian Prime Minister Jean Chrétien. This agreement eliminated tariffs over time, as well as establishing that "all duties and quantitative restrictions, with the exception of those on a limited number of agricultural products traded with Canada, [to be] eliminated by 2008" (Office of the United States Trade Representative). NAFTA essentially ratified into a transnational law the arrangements that had been outlined in previous trade agreements and understandings, in order to further facilitate international commerce between the countries of North America. It had the added incentive of eliminating taxes, tariffs, duties, and quotas on transnational commerce and foreign direct investment (FDI).

Once Mexico, Canada, and the United States signed NAFTA, the business relationship specifically between Mexico and the United States flourished. Foreign direct investment in Mexico increased as corporations from the United States started setting up more factories and branch offices there. This was one of the objectives set by Mexico's previous president, Miguel de la Madrid, and his country was finally achieving that goal. Many of these subsidiaries hired local employees to work under managers from the United States, and they quickly learned about the cultural disconnect between the way employees from the two countries operate. The key to making sure this new venture was a successful one relied on the United States manager's ability to adapt to the changing business and cultural environments.

III. Literature Review

As more data has been studied about the effects of NAFTA since it was signed into law in 1994, researchers agree on what it has done to shape and improve the Mexican economy. It is very easy to examine this agreement from an analytical perspective, comparing numerical statistics and data from before and after Mexico entered the accord. For example, according to the World Bank, the country's gross domestic product (GDP) in 1986 was US$129.44 billion. By 2014, it reached an all time high of US$1.298 trillion ("Mexico," World Bank Group). This incredible growth shows an increase in economic development and stability. However, the effects that NAFTA had on Mexico and the United States were not solely economic in nature; this agreement and the subsequent relationship between the two nations also had environmental, social, and political consequences. It is in these aspects that the experts differ in opinion.

It is important to realize that, when discussing the impacts of NAFTA on the Mexican economy, not every change and improvement is a direct result of the foreign trade agreement. For example, Marisabel Cid and M. Angeles Villarreal agree that "measuring the effects of NAFTA on the Mexican economy is difficult because the economy was also affected by other factors, such as economic cycles in the United States… and currency fluctuations" (Cid and Villarreal 131). These sources also agree that, prior to NAFTA, the Mexican government's reactions to the debt crisis of the early 1980s and its primary measures to move towards trade liberalization in the early 1990s had a significant effect on the Mexican economy (Villarreal, "U.S.-Mexico…", 40). As previously mentioned, Mexico and the United States were connected prior to signing

NAFTA; because they are so closely linked, they are bound to impact one another outside of the trade agreement as well.

Another example of factors outside the scope of NAFTA's commercial impact is migration. Long before the trade agreement took effect, both documented and undocumented immigrants were traveling across the border between the United States and Mexico in both directions. These immigrants affect both nations economically, socially, culturally, and politically. When Mexican immigrants arrive in the United States, they influence consumer trends, work for lower wages at jobs native citizens do not want, and open stores and restaurants authentic to their culture. When these immigrants settle in a new country, the Mexican population decreases, their consumer dollars are spent elsewhere, and they contribute to a completely different society. Many immigrants also send remittances, or portions of their income, back to their families in Mexico to help them support themselves. When it comes to more recent political sentiments, it may seem as though many people from the United States have a strong anti-immigration attitude for a variety of reasons, including the supposed threat immigrants pose to the job market, harsh stereotypes about drug use, and more. However, the truth is that only 27% of people from the United States view immigrants as "a burden on our country because they take our jobs, housing and health care" while 63% believe "immigrants today strengthen our country because of their hard work and talents" (Bowman). Regardless of the opinion of people from the United States, Mexican immigration to the United States existed before NAFTA was signed, and it is only natural that these immigration patterns would continue to occur and to increase after it took effect as well.

Since Mexico signed on as a part of NAFTA, the country's economy has transformed from developing, agricultural-based, and protectionist into a successful manufacturing-for-export operation. Many economists that are analyzing the effects of NAFTA have chosen to examine exports and imports as a way to measure the impact on the economy. For example, M. Angeles Villarreal et. al. agree that, each year since the agreement took effect, exports represent an increasingly larger percentage of Mexico's GDP (Villarreal, "U.S.-Mexico...", 38). This shows that, since signing NAFTA, Mexico's import and export activities have contributed increasingly more money to the nation's economy. On page 41 of the Appendix, two infographics from the Observatory of Economic Complexity detail exactly which industries comprise the majority of Mexico's import and export activities, and what percentage they contribute to the USD$374 billion worth of exports and the USD$380 billion worth of imports exchanged in 2016 ("Mexico", OEC). This shows which specific industries produce the most sought-after goods and services, and to what extent each one contributed. For example, machinery and transportation are two of the top contributors for both exports and imports; machinery contributed 37% of total goods exported, and 39% of total goods imported ("Mexico", OEC).

More specifically, in 2016 - which is the most recent data available - imports to Mexico represented 39.95% of the total GDP ("Imports of Goods and Services (% of GDP)"). In the same year, exports represented 38.16% of the total GDP ("Exports of Goods and Services (% of GDP)"). This growth in international commerce shows a major improvement from the data from 1993, the year before NAFTA took effect: that year, imports to Mexico represented a mere 13.82% of the total GDP ("Imports of Goods and Services (% of GDP)"). That same year, exports represented only 12.14% of the total GDP

("Exports of Goods and Services (% of GDP)"). The statistics from 2016 show that a combined total of almost 80% of Mexico's GDP comes from their international trade activities. Without NAFTA, Mexico's GDP and economic stability would not have grown to be as strong as they are today. Additionally, since both have been increasing in the years following NAFTA, this is evidence that the trade agreement has helped to stimulate Mexico's economy and has fostered the country's development.

When it comes to measuring the success of NAFTA, another effective way is to examine the data surrounding foreign direct investment (FDI) because, prior to signing the agreement, Mexico was wary of foreign investment of any kind. Foreign direct investment "consists of investments in real estate, manufacturing plants, and retail facilities in which the foreign investor owns 10% or more of the entity" ("Mexico Foreign Direct Investment"). FDI is important to the country's economy because it provides a reason for a stronger power, like the United States, to be more conscientious of the financial strength of the country in which they've invested – otherwise their investments were for naught. At the end of 1993, right before NAFTA took effect, the United States FDI in Mexico was USD$1720.6 million ("Mexico Foreign Direct Investment"). By July 1994, that number spiked up to USD$3283.4 million, and in December 2017, this number reached USD$5903.8 million ("Mexico Foreign Direct Investment"). Villarreal et. al. also agree that this growth in FDI may have occurred without NAFTA's influence, as "Mexico likely would have continued to liberalize its foreign investment laws with or without NAFTA" (Villarreal, "U.S.-Mexico…", 40). This is evident from the economic steps the Mexican government took prior to signing NAFTA. However, this specific trade agreement truly facilitated foreign direct investment, especially in cities on the border between the United States and Mexico.

One of the aspects of NAFTA that sources debate are the impacts of *maquiladoras* on the country; economic experts will have one argument, while sociocultural analysts will pose another. “Maquiladora” is the word used to describe “labor-intensive foreign-owned industries which assemble products for export to other countries” (Kras 21). Assuming these maquiladoras are established by United States companies, they are typically set up in border cities, since transportation costs for the parent company would be lower, and the staff employed at headquarters would have easier access to the satellite buildings. These maquiladoras did in fact exist before NAFTA; the first were opened in 1965 to balance the jobs lost by the end of the Bracero Program (Mueller 132). This program was an early cooperation between the United States and Mexico to provide cheap agricultural labor to the United States, but it ended in 1964 (Mueller 132). However, after NAFTA was signed, there were multiple factors that resulted in the opening of more maquiladoras, and in turn, pushed more Mexican people to move to the border cities. As a result of NAFTA, many people operating small or medium-sized farms in the rural regions of Mexico could no longer compete with the larger scale operations exporting to the United States, so many were forced to shut down and seek other employment. Because of this, many people – especially young, poor, uneducated women from rural areas – moved to these border cities for work in the maquiladoras (Mueller 133).

From an economic perspective, the maquiladoras are believed to be “an important part of United States corporate strategy in achieving competitively priced goods in the world marketplace” (Villarreal, “U.S.-Mexico Economic Relations”, 41). Many economists agree that outsourcing production to Mexico, where labor, resources, and real estate are cheaper, is a smart move for a company. Others would argue that the maquiladora industry is hurting the United States job market, since moving production south of the border would result in a job loss for United States workers. However, what both of these standpoints miss are the detrimental social effects that the maquiladora industry has had on Mexican citizens and, primarily, Mexican women.

In the book titled *The Maquiladora Reader: Cross-border Organizing Since NAFTA,* editors Rachael Kamel and Anya Hoffman compiled and published the stories of little-known negative effects of the maquiladora boom that occured post-NAFTA. It is important to note, as they have at the beginning of chapter 2, that “women constitute a large majority of the maquiladora workforce…constituting up to 70 percent of the workforce in light assembly industries and 57 percent overall” (Kamel and Hoffman 21). Additionally, the undervaluation of female labor is eminent in the treatment of female maquiladora workers: many of these women struggled with “low wages, long hours, and poor health conditions” while trying to provide for their families (Kamel and Hoffman 21). Some of these women are single mothers, working an early shift at the maquiladoras followed by a second job in the evening, but even those with partners struggled to manage all of their responsibilities and “lack a strong support network, as many are migrants from Mexico’s interior who have left everything behind in order to earn a meager wage” (Kamel and Hoffman 22). These women already have “fewer options for paid employment than men, face the overt or tacit threat of violence both inside and outside of the home, and bear the lion’s share of responsibility for caring for children, the elderly, and the sick” but, on top of that, “maquiladora women are also subject to sexual violence and abuse” (Kamel and Hoffman 21). Evidently, Kamel et al. would not agree with the economists’ standpoint that these maquiladoras are entirely beneficial for the well-being of the Mexican citizens who work there.

Carol Mueller, author of the section of *Binational Human Rights: The U.S.-Mexico Experience* entitled "The Binational Roots of the Femicides in Ciudad Juárez", would also disagree with the economists that say the maquiladoras had a positive effect on Mexico as a country. In her chapter, she discusses a series of brutal attacks against women and violent murders of women in Mexican border towns and cities. According to Teresa Rodríguez, Diana Montané, and Lisa Pulitzer in *The Daughters of Juárez: A True Story of Serial Murder South of the Border,* "an alarming number [of these victims] were abducted en route to their jobs at the assembly plants … that made parts and appliances for export" (2). Many of these murders were concentrated in cities like Ciudad Juárez, a city with an especially large number of maquiladoras. Companies like "Lear, Amway, TDK, Honeywell, General Electric, 3M, DuPont, and Kenwood" had established factories in Ciudad Juárez in response to NAFTA (Rodríguez et al. 2).

When analyzing the effects of NAFTA, especially when evaluating the impacts of *maquiladoras*, the victims of these types of attacks are not typically given the consideration they deserve. These femicides are characterized by the treatment of victims: generally speaking, most victims were young women who "were kidnapped, held captive and subjected to brutal sexual violence before being killed," and that violence included (but was not limited to) "rape, biting, beatings, stab wounds and mutilation" (Mueller 129). For most of these victims, their suffering was brought to an end by a death either from strangulation, or from injuries caused by physical blows. The general sense of Mueller's article is that Ciudad Juárez post-NAFTA created the perfect storm for so many femicides to take place. However, it is important to remember that, much like most other changes that occurred after Mexico joined the trade agreement, the conditions that existed which allowed so many femicides to take place are not solely attributable to NAFTA or to the United States' intervention in Mexico. As I will explain later, these attacks are part of a larger systematic aggression towards Mexican women that was largely enabled by the culture's misogynistic tendencies, and the increase in attacks was only further facilitated by the uncontrollable development from increased United States involvement.

IV. Research Question

I have been fascinated by Latin American culture and history since high school. When choosing to come to Pace as an international management major, I was thrilled to be able to focus on Latin America as a region. Since making that decision, I've learned more about how business practices vary there, specifically in Mexico. Because NAFTA is a highly debated issue with the current United States administration, I think it is important to look at how it has affected the current business world while considering the possible effects to come.

The research question I developed is: "How Has NAFTA Affected the Business Relationship Between the United States and Mexico?" I focused on using economic statistics to show that, before NAFTA, Mexico was struggling financially, but the trade agreement helped set the country on the path towards economic success. I demonstrated that the business relationship between the United States and Mexico was completely facilitated by NAFTA. Furthermore, I highlighted that business management styles are heavily linked to the culture and the history of a nation, because these nuances need to be understood to promote successful international business.

V. Methodology

Throughout my research process, I consulted a wide array of sources to collect data, including books, scholarly articles, case studies, and other similar types of resources. I amalgamated economic, political, social, and cultural information to analyze and include in my final paper. One cannot analyze the effects of an international agreement such as NAFTA without considering each of these aspects in conjunction with each other, because it is impossible to get a complete understanding of those effects otherwise.

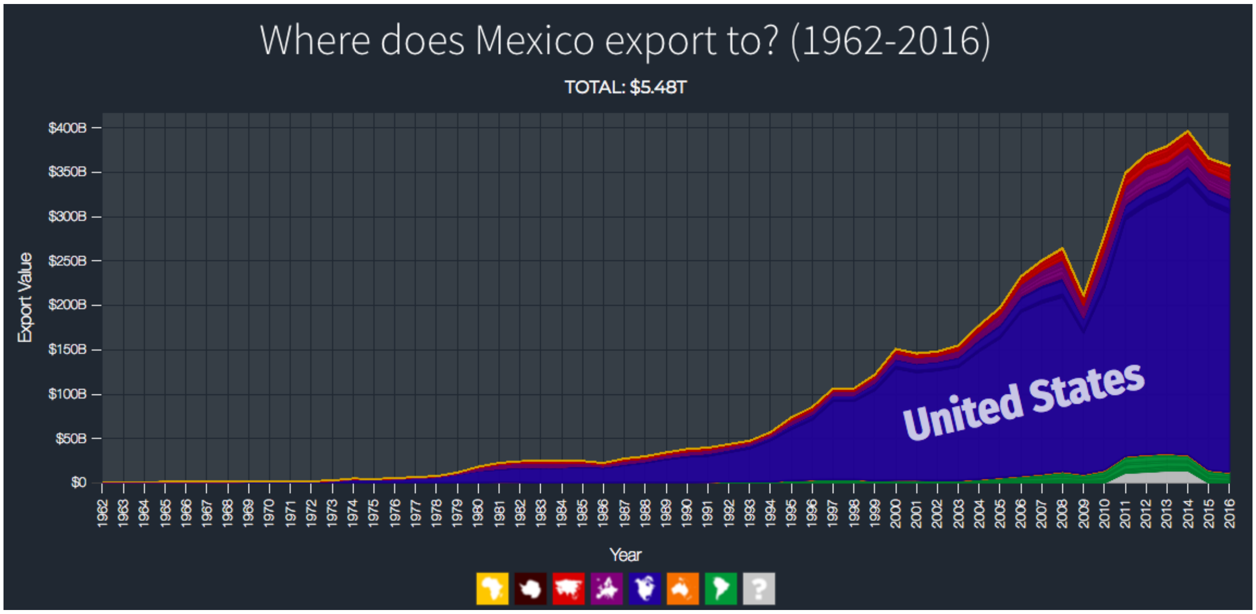
In terms of the cultural information that I collected, I positioned it under a framework known as Geert Hofstede's cultural dimensions. Hofstede was an IBM employee and is a social psychologist who developed a set of six different dimensions through which one can analyze and compare different cultures. The first is the Power Distance index, or the PDI. This index expresses the degree to which a social hierarchy is understood and accepted by those at the bottom – or, alternatively, how a society handles inequality among its people. The second is Individualism vs. Collectivism. This dimension expresses the mentality of a society; are they more tightly or loosely knit? Do they place more importance on the "me" or on the "we"? The third dimension is Masculinity vs. Femininity. This represents whether a culture is more tough and competitive, or consensus-driven and emotionally motivated. The fourth dimension is the Uncertainty Avoidance index (UAI). This explains how comfortable or uncomfortable a society is when it comes to taking risks, ambiguity, and dealing with the fact that the future can never truly be predicted. The fifth dimension is Long-term vs. Short-term Orientation. This dimension compares countries that prefer to operate based on traditions and norms to countries that embrace more creativity and are more open to trying new things when it comes to preparing for the future. Finally, the sixth and final dimension is Indulgence vs. Restraint. This details a country's tendency to accept a more carefree way of life or a tendency to stick to strict social norms ("National Culture"). Together, these dimensions were used to develop a cultural profile of Mexico that can be used to compare the country to others, analyze the results of that comparison, and apply them to this thesis for education and understanding.

VI. Results & Discussion

Throughout my research for this paper, I have found that it is an undeniable fact that NAFTA had a positive impact on the Mexican economy and the financial stability of the nation. Because of this trade agreement, foreign direct investment in Mexico has increased, as other countries are attracted by corporate-level tax exemption and relaxed labor and environmental laws for which they are responsible, as well as cheaper labor and real estate. Mexico's gross domestic product has also increased, and import and export activities have become a stronger contributor to the total GDP. Mexico has largely been transformed from a developing nation to an industrialized, manufacturing-for-export economy. Over the last 25 years or so, the relationship between Mexico and the United States has also been growing and evolving in several ways: imports and exports between the two countries have increased as a result of the trade agreement, and as technology has advanced, the types of materials exchanged between the two nations has changed; the United States' foreign direct investment in Mexico has grown; and the cultures have become even more closely linked.

One way to analyze the changing economic relationship between the United States and Mexico is to look at exports and imports exchanged between the two nations. This represents only a portion of Mexico's total import/export activity, and the way this portion changes is a helpful indicator of Mexico's relationship with the United States. According to the Observatory of Economic Complexity (also referred to by the acronym OEC), an interactive visual tool devised by researchers at MIT to convey information about international trade and commerce, 62% of Mexico's exports in 1962 – the first year they have data from – went to the United States ("Mexico", OEC). That same year, 63% of products that Mexico imported came from the United States ("Mexico", OEC). By 1996, two years after Mexico became a part of NAFTA, 79% of exports were bound for the United States, and 76% of imports were of US origin ("Mexico", OEC). The most recent data from 2016 shows that 81% of Mexican exports are shipped to the United States, while a mere 46% of their imports come from the United States ("Mexico", OEC). Below, another graph from the OEC provides a comprehensive visual of how Mexican exports have changed since 1962. It shows how the total value of exports have increased over time, while also showing the percentage of exports each country receives. One can see how much Mexico's trade relationship with the United States has grown over the last few decades.

The OEC data highlights an interesting occurrence: before and after Mexico joined NAFTA, exports to the United States as a percentage of total Mexican exports increased by 17%, while the import percentage increased by 13%. In the 20 years between 1996 and 2016, the data shows only a 2% increase in the percentage of exports shipped to the United States and a 30% decrease in the percentage of imports from the United States. What this suggests is that, while NAFTA really did foster the nation's



import-export activities, Mexico has been able to diversify its portfolio of international trading partners. This diversification is key for Mexico, especially considering how concerned the government has been, historically speaking, about maintaining its economic autonomy and avoiding financial dependency on one specific nation. However, this data also shows that Mexico is still very closely linked to the United States in terms of trade, and would face very drastic economic consequences should anything threaten or disrupt that relationship.

Analysts have tried to measure the effects of NAFTA on Mexico through growth in certain economic trends, specifically in terms of gross domestic product (GDP). According to the researchers at CEIC Data – a Euromoney Institutional Investor Company – Mexico's nominal GDP has been, on average, increasing since the country joined NAFTA ("Mexico Nominal GDP"). Nominal GDP is the GDP evaluated at current market prices, which accounts for inflation; in simpler terms, the GDP is evaluated in terms of what USD$1 is worth today, to provide a more accurate comparison and analysis. In March 1993, about 10 months before NAFTA took effect, the nominal GDP was USD$121.1 million. By October 2008, this number more than doubled to reach USD$335.3 million ("Mexico Nominal GDP"). More recent data shows that it is declining again; however, as of December 2017, the nominal GDP is still much better than it was before NAFTA, recorded as USD$293.5 million ("Mexico Nominal GDP").

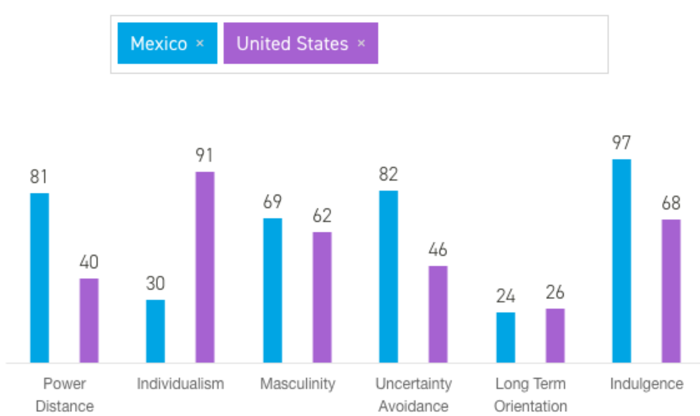
Joining NAFTA had more than just an economic effect on the relationship between the United States and Mexico; there were also important social and cultural changes that occurred. Some of these societal changes came about because of the increase in foreign direct investment in terms of United States-owned factories. The expansion and growth of these factories, for example, are directly correlated to an increase of mistreatment of Mexican women, especially when it comes to the rate of femicides. The World Health Organization (WHO) released a document detailing femicides, in which they define it as an intentional murder of a woman, "usually perpetrated by men [...], partners or ex-partners, and involve ongoing abuse in the home, threats or intimidation, sexual violence or situations where women have less power or fewer resources than their partner" ("Femicide"). This publication divides femicides into four different types: intimate femicide, murders in the name of 'honor' (also known as honor killings), dowry-related femicide, and non-intimate femicide. Most femicides that have occurred in Mexico qualify as as non-intimate, which is described as "femicide involving sexual aggression" committed by "someone without an intimate relationship with the victim" ("Femicide"). The article also points out that, while this class of femicide can be random, "there are disturbing examples of systematic murders of women, particularly in Latin America" ("Femicide"). The femicides in Mexico's border towns such as Ciudad Juárez, which increased in number after the FDI from United States-based companies also increased, are a prime example of these systematic murders.

The femicides that occurred on the border between the United States and Mexico were part of a larger, systematic societal breakdown. The increase in the amount of femicide victims in Mexico after NAFTA cannot be solely attributed to an increase in United States involvement. Between drug cartels and a corrupt law enforcement, a mentality perpetuated by the misogynistic "machismo" culture that these victims were worthless anyway, and the shifts towards urbanization and industrialization in the job market – this part mostly motivated by United States influence – it is no surprise that so many women became victims. A large percentage of these victims were attracted to these border cities to work in the maquiladoras, which is one of the factors that made them such easy targets. These maquiladoras were getting built so rapidly that the city's growth was almost impossible to map; therefore, it was becoming increasingly easier for individuals to get lost on the "hodgepodge of paved and unpaved streets, some marked, others anonymous sandy paths that led to the shantytowns and squatters' villages continually springing up on the outskirts of town" (Rodríguez et al. 3). It also became increasingly easy for those looking for victims to conceal themselves and surprise their prey.

The unfortunate truth is that these femicides are still plaguing Mexico. According to United Nations officials based there, the country "ranks among the world's 20 worst countries for violence against women" (Matloff). There were almost 4,000 femicides in 2012 and 2013 alone (Matloff). Many of these victims were dumped in mass graves, while others turned up as unidentified female body parts. For too many, their mutilated bodies were never returned to their families. Some may argue that these deaths were collateral damage – especially those who favor the maquiladoras – but the reality is that "there was no inevitability about this outcome" (Mueller 145). Even if these femicides were a result of systematic problems and were not entirely inevitable, the total number of victims did not need to increase to such a high level.

Another form of social impact that is important to examine are the differences between Mexican culture and United States culture, and how this affects the workplace in a globalized era. Because so many companies operate on an international scale now, it is important for an employee to understand the nuances of other cultures with which they interact, or they are less likely to be successful in the global business circle. Understanding one's own culture is easy; however, it is much more difficult to learn how to interact with other cultures without assuming the superiority of one's own.

As can be seen in the chart below, the United States and Mexico score very differently on all but two of Geert Hofstede's cultural dimensions.



In terms of Masculinity and Long-term orientation (LTO), the two nations score very similarly – Mexico rates a 69 on the Masculinity scale while the United States falls at a

62. Alternatively, Mexico scores a 24 on the LTO scale while the United States only receives a 26 ("Country Comparison"). The masculinity score shows that both countries are fairly masculine in nature; most people have a "live to work" attitude, and "managers are expected to be decisive and assertive" ("Country Comparison"). Mexico's masculinity score is far from surprising.

There is a concept known as *machismo* that is highly prevalent in Mexican culture. Machismo is a societal value, which explains why men feel the need to be stereotypically and excessively masculine, while having a great sense of male pride. This concept is typically what confines Mexicans to the gender dichotomy that men are supposed to be the breadwinners and that they should provide for their family, while women are expected to tend to the home, care for the children, and do what their husbands say. In the chapter explaining cultural traits in *Management in Two Cultures*, Kras points out that "the mother is subservient and seeks the advice and authority of her husband in all major matters. She is expected to be a devoted mother and obedient wife" (Kras 23). However, in a time of economic distress, many of these women were expected to get a job in addition to their responsibilities at home. As described by the editors of *The Maquiladora Reader,* "even in most marriages both partners have to work" in order for the family unit to be able to support itself (Kamel and Hoffman 21). This is one of the contributing factors to the sexism that the maquiladora workers and the femicide victims experience. Women were already seen as secondary to their husbands, they were not valued as part of the labor force, and they did not feel as though they had a right to advocate for themselves or to challenge their male supervisors or to their husbands.

The LTO score highlights that both cultures are comprised of relatively normative thinkers: “people in such societies have a strong concern with establishing the absolute Truth” (“Country Comparison”). Citizens of both nations have a high respect for traditions, “a relatively small propensity to save for the future, and a focus on achieving quick results” (“Comparison”). This could be good for managers to know, because it would aid them in motivating their Mexican employees in ways they relate to, such as with family-oriented bonuses, more flexible work hours, and more. It would also assist in decisions regarding hiring and task delegation; it may be helpful for a hiring manager or a higher-up to know that a candidate is naturally driven to achieve results quickly and efficiently.

Mexico and the United States do not score so similarly for every cultural dimension. When it comes to individualism, for example, Mexico was rated at a 30 while the United States scored much higher, at a 91 (“Country Comparison”). This shows that Mexico is a collectivist society, which can be explained as having a “long-term commitment to the member ‘group’, be that a family, extended family, or extended relationships” (“Country Comparison”). On the other hand, the United States’s incredibly high score of 91 means that most people from the United States lean towards the “lone wolf” stereotype. This disparity can create obstacles for managers from the United States, who do not understand the collectivist mentality and are rooted in the ways of their own individualism. For example, managers from the United States “should expect occasional absences when there is illness in the family. In general, they should be alert to the possibility of finding in family ties and concerns an explanation for behavior they don’t understand” (Kras 62). Also, these managers may see a lot of family members working for the same company. This is because “hiring practices strongly favor relatives and friends of employees", since Mexican employers value very highly "trustworthiness, loyalty, and reliability" (Kras 50). Oftentimes, Mexican employees are likely to recommend their relative for a position, and because familial ties are directly associated with one's character, these recommendations are regarded very highly.

In terms of Power Distance, the United States scored a 40 while Mexico scored an 81. This shows that Mexicans accept their hierarchical society, and that they are more likely to have inherent respect for their superiors. Employees and managers from the United States, however, are more apt to throw caution to the wind and try to dismantle or change the hierarchical structure. This difference can also cause frustration for managers from the United States, especially when it comes to delegating work or having Mexican employees working in a team; if a manager assigns someone from a culture that scores higher on the PDI to lead a team, that person will be more likely to still feel obligated to ask the manager's opinion and permission throughout the project.

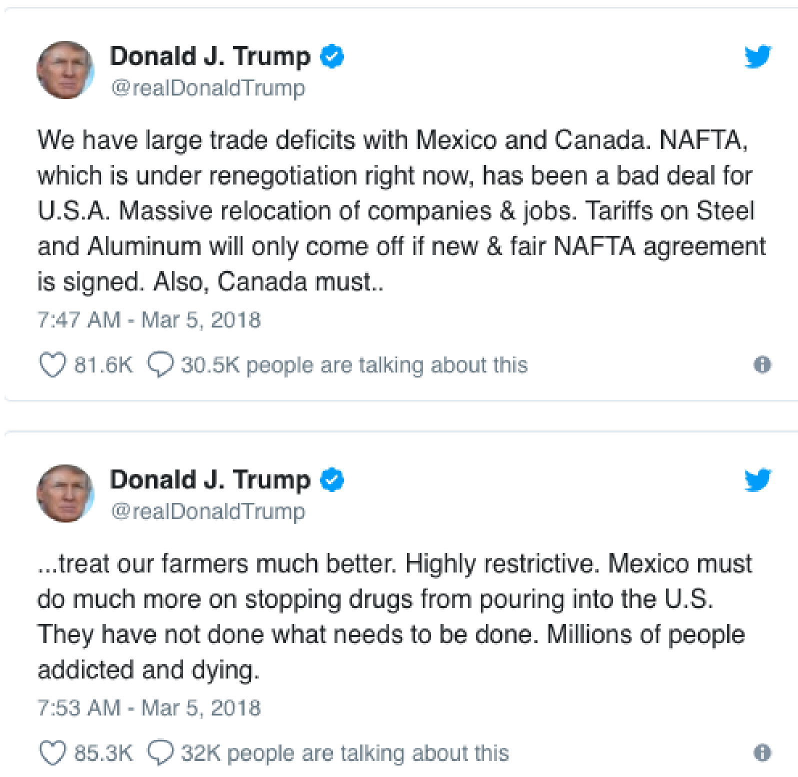
With Uncertainty Avoidance, the United States was rated at 46 while Mexico scored an 82. This means that Mexico has a high preference to shy away from uncertainty and risks, while people from the United States typically encourage more risky behavior. While Mexican employees may prefer to avoid uncertainty, they do tend to enjoy abstract thinking and theorizing. As Kras explains, "This is one of the most important areas of adjustment for Mexican managers. It is essential for them to make the difficult transition from abstract theorizing to a more practical approach" (65). She recommends that executives from the United States try to spur some risk taking, and "can help them by implementing carefully conceived management development programs" (Kras 65). In addition to this tactic, continuous encouragement and constructive, well-phrased criticism is also helpful.

Finally, with indulgence, Mexico scored a 97 while the United States scored a 68, which highlights that Mexican culture has a tendency to adopt a more carefree way of life, trending towards optimism, while the United States is quite different from this ("Country Comparison"). People from the United States are often more restrained, especially when it comes to business matters. This dimension can be seen in the way managers speak with subordinates. For example, managers from the United States are more likely to openly and brusquely tell subordinates when they have done something wrong, while Mexican managers take care to have a more optimistic, constructive approach. As explained in *Management in Two Cultures,* managers from the United States need to "resist saying outright, 'You are wrong.' Mexicans know perfectly well when they have made a mistake, but verbalizing it puts them to shame and is liable to make them withdraw. On the other hand, it is important for U.S. executives to admit when they are wrong because this will go a long way in demonstrating to the Mexican that they are also human" (Kras 63). It is essential that managers from the United States are able to grasp and employ this concept when providing feedback, or they run the risk of alienating their Mexican subordinates.

While there are obviously cultural aspects not covered in the Hofstede method, this is a very expansive list, helping businesspeople get a sense of others with whom they may eventually interact. It is important for employees as well as managers and executives to see where these cultural differences lie, so as not to offend and to avoid making a bad first impression, because these missteps can affect the success of the business relationship as a whole. When Mexico joined NAFTA, an immediate pressure was placed on understanding these cultural nuances and using them to inform business decisions, which is not as easy as it seems. It is very hard to work past one's own biases, prejudices, and implications, but in order to foster a successful business relationship, it is of the utmost importance that people understand these cultural differences.

These cultural differences are particularly relevant now, as the member countries of NAFTA are engaging in renegotiations after signing the original agreement almost 25 years ago. At the time this paper was written, only a few chapters out of the 30 that comprise the agreement have been finalized, and the overall outcome is still unknown. However, as of May 2nd, Texas Agriculture Commissioner Sid Miller "says he expects the North American Free Trade Agreement renegotiations to wrap up within the next couple of weeks" (Sandoval Jr. and Taylor). However, both Mexico and the United States have elections on the horizon before the end of the year; United States midterm elections will take place in November, while the Mexican presidential election is scheduled for July 1st.

The outcome of the midterm elections in the United States "could change the timeline [...] to sign a deal," especially since current Mexican president Enrique Peña Nieto is not eligible for re-election (Chiriguayo). According to Bloomberg's poll tracking system, candidate Andrés Manuel López Obrador is currently leading "with the backing of about 47% of likely voters," while his closest competitor ranks at under 30% ("Mexican Election Coverage"). Because López Obrador is a leftist candidate, many multinational executives familiar with Mexico's economy "fear that his populist programs (such as to implement massive increases in social spending while eschewing tax increases) would severely destabilize Mexico's already fragile public finances, and that his opposition to the current administration's structural reforms [...] will drive down investments in the market, cause further peso devaluations, and lead to greater confrontation with the Trump Administration" (Martinez 3). Considering the public statements President Trump has made regarding his personal feelings about NAFTA, mostly via his Twitter feed, it is easy to see why Mexican executives may have concerns about how these two leaders would interact. A specific example has been included below.



Tweets like these promote harmful stereotypes about Mexican people. These tweets, in conjunction with Trump's campaign - which was rooted in building a border wall between Mexico and the United States - one can see why electing a more liberal Mexican president may be cause for concern in regards to transnational communication.

NAFTA is not only being renegotiated because of Trump's campaign promises and Twitter threats. Over the past 25 years since the agreement was drafted, the member countries have experienced vast amounts of growth and change, and multinational executives have become increasingly aware of the need for a modernization of the agreement. For example, some of today's largest industries are underrepresented in the original agreement, and deserve to be incorporated, including "industries that were relatively nascent when NAFTA was first negotiated (such as e-commerce and the digital industry), industries that were nationalized at the time (such as Mexico's energy sector), or industries in the service sector (such as the insurance, accounting, and express delivery industries" (Martinez 3). In this sense, the opportunity for renegotiation of NAFTA's terms is a positive one, because "these changes would allow for greater standardization across borders, allowing for better access to each other's markets and increased trade" (Martinez 4). Other companies have been vocal about changes they would like to see made to the agreement: some call for "process improvements and better infrastructure at the border to reduce costs to import," while others support "greater standardization across borders, with stronger intellectual property protections and enforcement of regulatory standards" (Martinez 3). However, these modernization measures seem to be diametrically opposed to the protectionist rhetoric that Trump has employed since the beginning of his campaign.

It is difficult for anyone to be certain about the outcome of this renegotiation until it is finalized. Despite that, multinational corporations have to start planning for any situation, or they run the risk of losing business and revenue if they are unable to keep up with the changes. Antonio Martinez, the Director of Global Economics Research at Frontier Strategy Group, wrote an article for the Harvard Business Review entitled

“What a Changing NAFTA Could Mean for Doing Business in Mexico” in which he examines the two most likely outcomes, how they will affect the next two years for businesses operating in Mexico, and the strategies that are being utilized by companies that anticipate each outcome.

The first scenario is one where López Obrador gets elected, and the “prolonged and contentious” renegotiations “fuel depreciation of the Mexican peso and reduce investment” (Martinez 5). In this outcome, called “A long period of populist-driven uncertainty”, the Mexican peso would depreciate from its current rate of 19.23 MXP/US $1 to 22 MXP/US $1 over the next two years (Martinez 5). The corporations expecting this outcome have halted any major investments they may have had planned, including new factories and distribution centers; they have also “pursued a cautious approach to price increases (despite rising pressure on margins from a stronger dollar), and increased investments in monitoring customer spending patterns and on lobbying and regulatory support in Mexico and the United States” (Martinez 5). The companies planning for this outcome are adopting a more conservative plan in the event that a more liberal approach to international trade does not work in their favor.

The alternate scenario, called “The status quo persists,” the candidate from the center-right party, now known to be Ricardo Anaya, is elected instead of López Obrador. However, in this outcome, “NAFTA negotiations remain undecided beyond Mexico’s 2018 elections,” but the economic effects are not as drastic as in the previous scenario: “the Mexican peso would likely only depreciate to 20.5 MXP/US $1 over the next two years” and the economy will experience more growth (Martinez 5). The executives anticipating this scenario “are continuing to encourage corporate headquarters to invest in the Mexican market, while monitoring the evaluation of trade talks and resourcing lobbying efforts in Mexico and the United States" (Martinez 5). This outcome is more favorable economically than the previous one, but those that support this hypothesis have more to lose if their predictions were false and they continue to make investments.

VII. Conclusion

Considering all aspects discussed in this paper, it is clear that there has been an enormous amount of progress, especially in terms of the economy, after Mexico joined NAFTA in 1994. The country's GDP and FDI inside its borders have risen tremendously; money earned from exports and imports is, on average, rising; and the number of Mexico's frequent trading partners is increasing as a result of signing the trade agreement. Mexico has become a much stronger economic power in the global business sphere over the last few decades. Judging by its economic growth and success, the nation has reached the point where it is strong enough to be a well-equipped competitor in the international trade markets, and has diversified its trading portfolio enough to reduce dependency on one specific nation – which was one of the Mexican government's main concerns when it first adopted the protectionist trade policy in the 1930s.

However, not all of the effects of NAFTA membership were positive. For example, the country's agricultural system completely shifted from farming to feed the country, to farming to competitively export to other nations. This led to small farmers being bought out or forced off their land, which led to the increase in urbanization. This may seem like a positive effect; however, at the rate at which the cities expanded, the infrastructure and housing networks could not expand fast enough to keep up with the growing population rates. Therefore, thousands of women who moved to these cities to work in maquiladoras were brutally attacked and murdered each year, with a large percentage of bodies that remain missing to this day. These murders are still plaguing Mexican cities at alarming rates. Regardless of whether the impacts were positive or negative, it is important to recognize that they were incubated and facilitated by the terms of NAFTA. Without this trade agreement, these occurrences would not have happened as rapidly or as widespread as they have.

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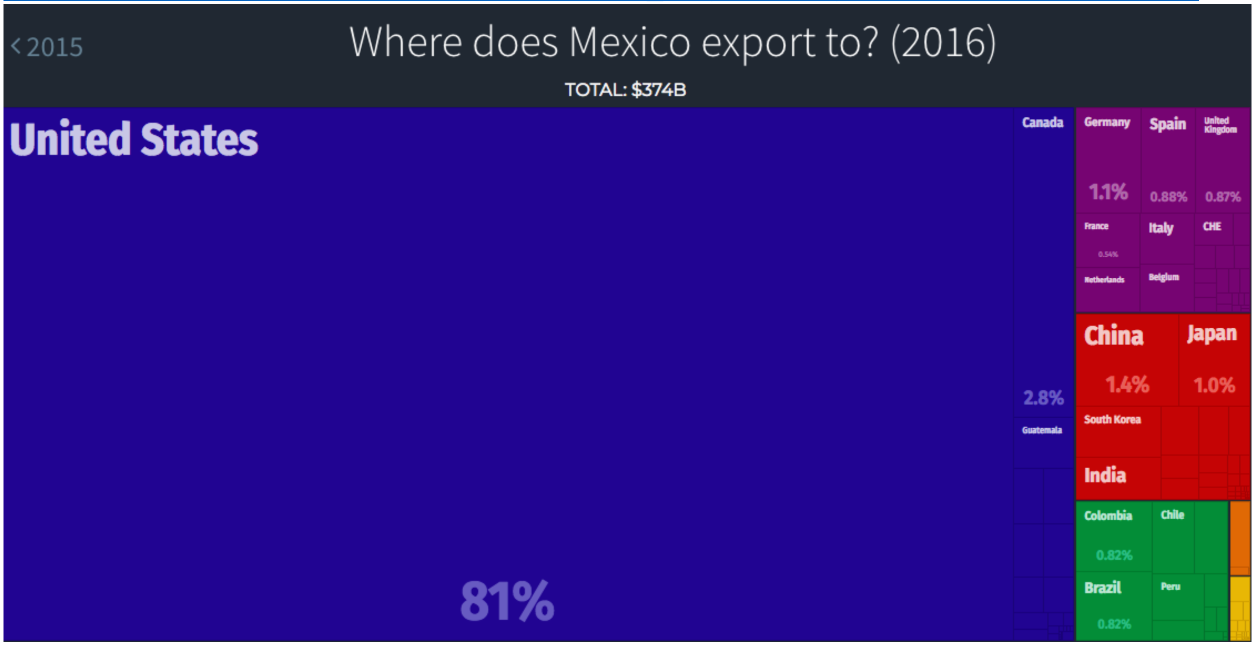
VIII. Appendix

1. "Who does Mexico export to?" (2016)
https://atlas.media.mit.edu/en/visualize/tree_map/sitc/export/mex/show/all/2016/



2. "Who does Mexico import from?" (2016)
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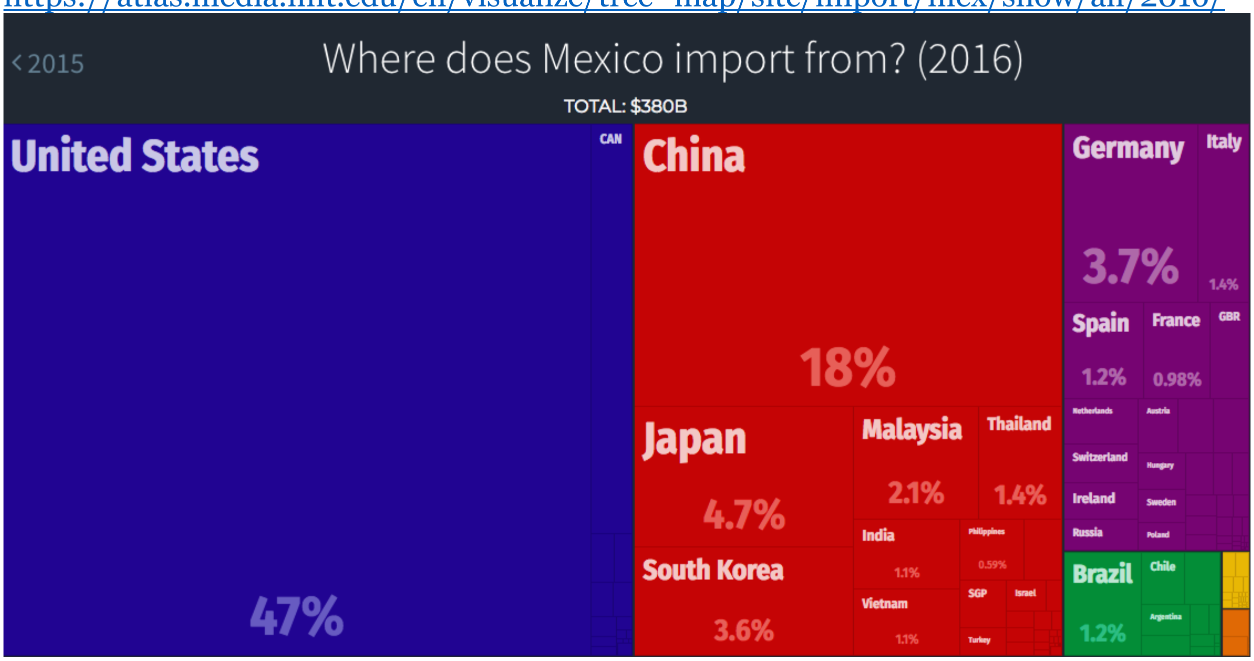

3. "What does Mexico export?" (2016)
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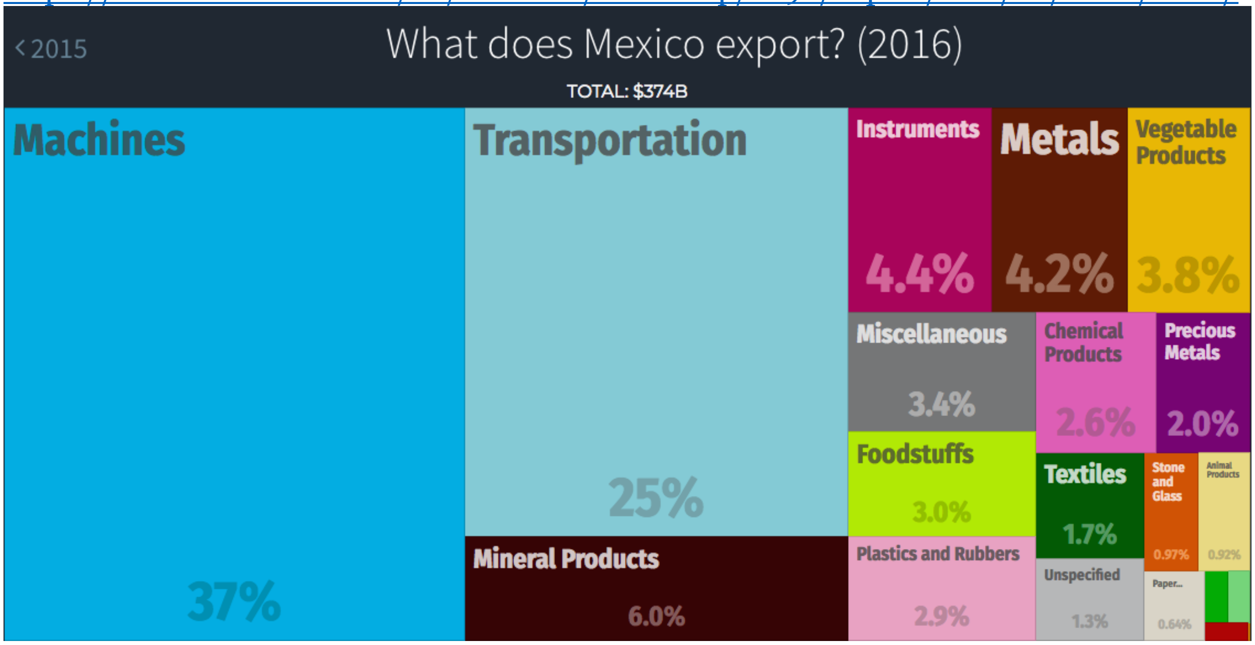

4. "What does Mexico import?" (2016)
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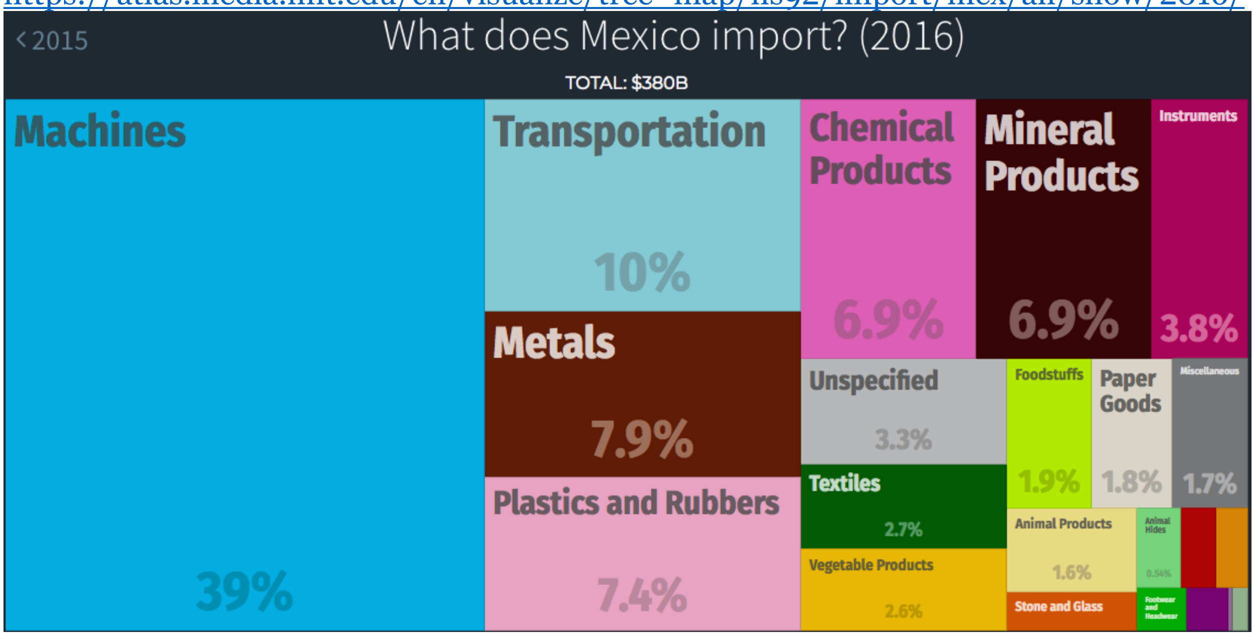

5. Country Comparison – the United States vs. Mexico
https://www.hofstede-insights.com/country-comparison/mexico,the-usa/