

Abstract

The subject of this thesis is the North American Free Trade Agreement (NAFTA), signed between the United States of America, Canada and Mexico and its impact on the automotive industry in North America between the years 1994, when NAFTA came into force, and 2009, when two major American car manufacturers, General Motors and Chrysler, went bankrupt during the global-scale recession and the industry changed significantly.

The thesis is based on the theory of comparative advantages, as it was described by a British economist David Ricardo in the 19th century. It subscribes to the general principle that a free trade is beneficial to all engaged parties, because it enables more effective allocation of resources and provides for more specialization of production.

The thesis argues NAFTA was a complex and ambitious international trade deal that had profound impact on the evolution of this branch of industry in the United States, Canada and Mexico, however its impact on the economy as a whole was limited and many of the changes, attributed to NAFTA, would likely have happened even without its passage due to the natural process of evolution of the industry and modernization.

The creation of a continent-wide zone of free trade enabled local and foreign car makers to establish international supply chains that capitalized on comparative advantages, possessed by the member states and regions, to optimize and rationalize their modes of production in order to trim down the costs of fabricating a new vehicle. This in turn benefited the end customer, who enjoyed greater variety of cars throughout the segments for prices which made new cars more accessible than ever before.

This theory is proved by a detailed analysis of the performance of the North American car manufacturing, the markets composition, the economic situation of the three major US-based car manufacturers, Ford, General Motors and Chrysler and the evolution of prices for selected passenger vehicles in each major category.

Based on these findings, the thesis answers how, and to which extend, NAFTA shaped the North American automotive industry and whether the promises, and threats, articulated before its ratification, were fulfilled. The thesis contributes to the contemporary debate about the future of free trade in North America under a NAFTA successor, the United States–Mexico–Canada Agreement (USMCA), and the free trade concept in general.