УДК 339.542.2

CURRENT STATE AND PROSPECTS FOR THE DEVELOPMENT OF THE NORTH AMERICAN FREE TRADE AREA

СУЧАСНИЙ СТАН ТА ПЕРСПЕКТИВИ РОЗВИТКУ ПІВНІЧНОАМЕРИКАНСЬКОЇ ЗОНИ ВІЛЬНОЇ ТОРГІВЛІ

СОВРЕМЕННОЕ СОСТОЯНИЕ И ПЕРСПЕКТИВЫ РАЗВИТИЯ СЕВЕРОАМЕРИКАНСКОЙ ЗОНЫ СВОБОДНОЙ ТОРГОВЛИ

Yakubovskiy S. O.
Doctor of Economic Sciences, Professor, Head of the Department of World Economy and International Economic Relations, Odessa I. I. Mechnikov National University. E-mail: syakubovskiy@onu.edu.ua

Rodionova T. O.
Ph.D. in International Economic Relations, Associate Professor, Associate Professor at the Department of World Economy and International Economic Relations, Odessa I. I. Mechnikov National University. E-mail: t.rodionova@onu.edu.ua

Tsviakh O. S.
Competitor at the Department of World Economy and International Economic Relations, Odessa I. I. Mechnikov National University. E-mail: arinatsviah@stud.onu.edu.ua

Якубовський С. О.
Доктор економічних наук, професор, завідувач кафедри світового господарства і міжнародних економічних відносин Одеського національного університет імені І. І. Мечникова. E-mail: syakubovskiy@onu.edu.ua

Родіонова Т. А.
Кандидат економічних наук, доцент, доцент кафедри світового господарства і міжнародних економічних відносин Одеського національного університет імені І. І. Мечникова. E-mail: syakubovskiy@onu.edu.ua

Цвях О. С.
Пошукач кафедри світового господарства і міжнародних економічних відносин Одеського національного університет імені І. І. Мечникова. E-mail: arinatsviah@stud.onu.edu.ua

Якубовский С. А.
Доктор экономических наук, профессор, заведующий кафедрой мирового хозяйства и международных экономических отношений Одесского национального университет имени И. И. Мечникова. E-mail: syakubovskiy@onu.edu.ua

Родионова Т. А.
Кандидат экономических наук, доцент, доцент кафедры мирового хозяйства и международных экономических отношений Одесского национального университет имени И. И. Мечникова. E-mail: syakubovskiy@onu.edu.ua

Цвях А. С.
Соискатель кафедры мирового хозяйства и международных экономических отношений Одесского национального университет имени И. И. Мечникова. E-mail: arinatsviah@stud.onu.edu.ua

Abstract. *This research aims to analyze current economic state of the North American Free Trade Area and to identify possible prospects for its development. The article explores the prerequisites for the formation of NAFTA, reasons for revising the agreement and compares the* *differences between the previous and updated agreements, an impact of integration association on the socio-economic status, trade and investment activity of the participating countries, prospects for its development and analysis of its economic cooperation with Ukraine. The empirical analysis shows a significant relationship between the U.S. GDP and foreign trade with Mexico and Canada, unemployment and interest rates. Its results revealed that the U.S. trade with Canada had a positive impact on the U.S. GDP; at the same time the U.S. trade with Mexico had a negative impact on the U.S. GDP, which became the main argument for President Trump in his pressure on Mexico to revise the terms of the NAFTA agreement. The regression analysis also showed that there is an inverse relationship between GDP and interest rate in the United States from 1994 to 2018.*

It was determined that the United States-Mexico-Canada Agreement (USMCA) is not fundamentally different from the previous one, but it can create new opportunities, for example, for workers and farmers in the United States, and new difficulties for Canada and Mexico. This agreement tightens labor standards and protection of intellectual property rights, especially in Mexico, thus, probably decreasing the attractiveness of Mexican economy to foreign investors, that is likely to reduce the U.S. investment in Mexico. Thus, Canada and Mexico are expected to receive less benefit from the USMCA for their economies than the United States.

Key words: *NAFTA, USMCA, Free Trade Area, United States, Canada, Mexico, trade and investment flows*

Анотація. *Метою даного дослідження є аналіз сучасного економічного стану Північноамериканської зони вільної торгівлі та визначення можливих перспектив її розвитку. У статті досліджено передумови формування НАФТА, причини перегляду угоди та порівняння відмінностей між попередніми та оновленими угодами, вплив інтеграційної асоціації на соціально-економічний стан, торговельну та інвестиційну діяльність країн-учасниць, перспективи її розвитку та аналіз економічного співробітництва з Україною. Емпіричний аналіз показав значну залежність між ВВП США та зовнішньою торгівлею з Мексикою та Канадою, безробіттям та процентними ставками. Його результати показали, що торгівля США з Канадою позитивно вплинула на ВВП США; в той же час торгівля США з Мексикою негативно вплинула на ВВП США, що стало головним аргументом для президента Трампа в його тиску на Мексику щодо перегляду умов угоди НАФТА. Регресійний аналіз також показав, що існує зворотний зв'язок між ВВП та процентною ставкою в США з 1994 по 2018 рік. Було визначено, що Угода США - Мексика - Канада (ЮСМКА) принципово не відрізняється від попередньої, але вона може створити нові можливості, наприклад, для робітників і фермерів у США, а також нові труднощі для Канади та Мексики. Ця угода посилює стандарти праці та захист прав інтелектуальної власності, особливо в Мексиці, що, ймовірно, знижуватиме привабливість мексиканської економіки для іноземних інвесторів, що, скоріше за все, зменшить американські інвестиції в Мексику. Таким чином, для Канади та Мексики очікується, що вони отримають меншу вигоду від ЮСМКА для своєї економіки, ніж Сполучені Штати.*

Ключові слова: *НАФТА, ЮСМКА, зона вільної торгівлі, США, Канада, Мексика, торгові та інвестиційні потоки*

Аннотация. *Целью данного исследования является анализ текущего экономического состояния Североамериканской зоны свободной торговли и выявление возможных перспектив ее развития. В статье исследуется теория международной экономической интеграции, предпосылки для формирования НАФТА, причины пересмотра соглашения и сопоставления различий между предыдущими и обновленными соглашениями, влияние интеграционного объединения на социально-экономическое состояние, торговую и инвестиционную деятельность стран-участниц, перспективы его развития и анализ экономического сотрудничества с Украиной. Эмпирический анализ показал значительную зависимость между ВВП США и внешней торговлей с Мексикой и Канадой, безработицей и процентными ставками. Его результаты показали, что торговля США с Канадой* *положительно повлияла на ВВП США; в то же время торговля США с Мексикой оказала негативное влияние на ВВП США, что стало главным аргументом для президента Трампа в его давления на Мексику по пересмотру условий соглашения НАФТА. Регрессионный анализ также показал, что существует обратная связь между ВВП и процентной ставке в США с 1994 по 2018 год. Было определено, что соглашение США - Мексика - Канада (ЮСМКА) принципиально не отличается от предыдущего, но оно может создать новые возможности, например, для рабочих и фермеров в США, а также новые трудности для Канады и Мексики. Это соглашение усиливает стандарты труда и защиты прав интеллектуальной собственности, особенно в Мексике, что, вероятно, будет снижать привлекательность мексиканской экономики для иностранных инвесторов, что, скорее всего, уменьшит американские инвестиции в Мексику. Таким образом, для Канады и Мексики ожидается, что они получат меньшую выгоду от ЮСМКА для своей экономики, чем Соединенные Штаты.*

Ключевые слова: *НАФТА, ЮСМКА, зона свободной торговли, США, Канада, Мексика, торговые и инвестиционные потоки.*

Introduction. The United States – Mexico – Canada Agreement (USMCA) is an updated comprehensive trade agreement between Canada, the United States and Mexico. The USMCA is the largest regional free trade area in the world, with a population of nearly 500 million people and an aggregate GDP of around $24 trillion, equal to around 27% of world GDP. NAFTA – a preliminary agreement of the countries – became the first agreement in the world that linked through economic relations three countries of North America. It was also unusual in a global dimension because it was the first time that a free trade area linked two rich, developed countries with a low-income, developing country. The USMCA has high competitiveness, which has already been reached in the previous agreement, and also strengthens the positions of the participating countries individually, enabling them to produce goods and services that meet the needs of the world market, while increasing the incomes of their citizens, which is also indicative of ability to withstand competition in international trade. As the USMCA is one of the largest economic blocs in the world, there is a need to analyze the processes and changes that occur within it. Therefore, the topic of scientific work is relevant, because at this moment within this economic union historical change is taking place, which can affect not only economies of member countries, but also the state of the world economy as a whole.

Recent literature review. The free trade area (FTA) is the simplest stage of regional integration, which implies the elimination of tariffs and non-tariff barriers between member countries in order to increase mutual trade. Prerequisites are a similar level of economic development, the geographical proximity of countries, and a high level of interdependence. The benefits of an FTA are increased price competitiveness; productivity increase; increase in investment; promoting economic and political reform. Among the disadvantages should be highlighted: an increase in outsourcing; intellectual property theft; displacement of domestic industry; depletion of natural resources in developing countries.

It should be noted that for Mexico, the FTA with the United States became a way to capture the results of its market-opening reforms of the mid-1980s [M. Villarreal, 2017: 14]. The United States and Canada gained more access to the rapidly growing Mexican market. J. McBride and W. Tyner in their works paid special attention to the analysis of the influence of NAFTA on the economies of the participating countries [J. McBride, 2016: 3; W. Tyner, 2018: 16]. The authors noted overall GDP growth and job support, especially those that depend on trade. The theme of the difference between NAFTA and the updated agreement USMCA was revealed in work by R. Wolfe [R. Wolfe, 2018: 3]. The most significant differences are concentrated in the automotive sector.

In Ukraine the impact of regional integration on the development of national economies is studied in the scientific works of O. Rogach, T. Rodionova, O. Shnyrkov, S. Yakubovskiy [O. Rogach, 2019, 2020; T. Rodionova, 2019; O. Shnyrkov, 2019; S. Yakubovskiy, 2019]. Above mentioned articles study the prospects for the development of integration unions as well as its member states in the context of globalized world. However, the new realities of changing global economic environment require further exploration of this issue.

The purpose of research is to conduct an economic analysis of the current state of the North American Free Trade Area and to identify possible prospects for its development.

The main results of the research. The dynamics of the main macroeconomic indicators of the NAFTA member countries is studied to identify the impact of their participation in the trading bloc on their economic development. The GDP of all USMCA countries is steadily increasing from 1998 to 2018. Analyzing the data, it should be noted that NAFTA gave a powerful impetus to the economic development of the countries. Over the past twenty years, GDP growth in the United States was U.S. – 102%, in Canada – 135%, in Mexico – 72%. According to the World Bank, in 2018, the United States ranked first in the world in GDP, Canada ranked 10th, Mexico ranked 15th [The World Bank, 2020]. As of 2019, in all three countries there was an increase in GDP: up to $21.4 trillion in the United States, in Canada – up to $1.73 trillion, in Mexico – up to $1.22 trillion [IMF, 2020].

GDP per capita in the United States is also growing steadily. In 2018, it was $ 62.8 thousand, which is almost twice as high as in 1998. Thus, the U.S. ranks among the high-income countries and ranks 12th in the world in GDP per capita. Canada has also seen a per capita GDP growth in the last twenty years. It can be noticed that in the period from 2008 to 2018 it was not as significant as in the previous ten years, but in 2018 it amounted to $ 46.3 thousand, which is 2.2 times more than in 1998. Canada, like the United States, is ranked among the high-income countries and ranked 24th in the GDP per capita ranking. In Mexico, per capita GDP growth is around 86% over the period 1998-2008, but in the next decade the growth rate has not been so significant. In 2018, it was $10.1 thousand. In 2019, per capita GDP growth occurred only in the U.S. and Mexico – up to $65.1 thousand and $10.1 thousand in accordance. In Canada, there was a slight decrease to $46.21 [IMF, 2020].

The dynamics of the U.S. unemployment rate in 1998-2018 tended to fluctuate. In 2008, the figure rose to 5.8%, driven by the global financial crisis that led to the collapse of the labor market. In 2018, the U.S. unemployment rate has dropped to 3.7%, reflecting improved labor market conditions and an overall strengthening of the economy. Canada's unemployment rates have been steadily declining over the past twenty years and are generally quite low. In 2018, unemployment dropped to 6.11%, almost 2% less than in 1998. This indicates the effectiveness of the government's policy of increasing employment in the country. The unemployment rate in Mexico, as in the United States, has tended to fluctuate slightly over the past twenty years. In 2018, the figure was 3.49%, which is the natural unemployment rate in the country. As of 2019, unemployment has continued to decline: in the United States – up to 3.72%, in Canada – up to 5.7%, in Mexico – 3.44% [IMF, 2020].

Thus, the analysis of the data showed that NAFTA for 1998-2018 gave impetus for the sustainable economic development of all three countries, which continues in 2019, as evidenced by the improvement of the dynamics of the main macroeconomic indicators of the countries for the whole studied period.

The United States and Canada have the most comprehensive and closest trade links in the world, supporting millions of jobs in both countries. As the main exporter of Canadian goods and services is the U.S. market, foreign economic relations with the United States are essential for Canada. In turn, American trade with Canada and Mexico substantially supports jobs throughout the country, especially in California, Texas and most of the eastern states of America [Business Roundtable, 2020]. During its existence, NAFTA has stimulated significant productivity gains in the Canadian economy and facilitated its expansion and increased competitiveness.

Over the past 20 years, from 1998 to 2018, the U.S. exports to Canada have increased by $95 billion. According to the World Integrated Trade Solution (WITS), in 1998 its structure was dominated by goods such as consumer goods, vehicles, manufacturing products, semi-finished products, electronics and wood [World Integrated Trade Solution (WITS), 2020]. In 2018, the structure of exports changed, the top exported goods included consumer goods, fuel, semi-finished products, as well as vehicles.

The U.S. imports from Canada shrank by $70 billion compared to 2008, but overall, over the past 20 years, the numbers increased. This situation could be caused by a significant increase in U.S. imports from Mexico in 2018. In 2018, the U.S. imports from Canada totaled nearly $270 billion, up $96 billion from 1998. In 1998, Canada exported to the United States production facilities, consumer goods, semi-finished products, raw materials, and livestock products [WITS, 2020]. In 2018, the structure of imports includes manufacturing products, consumer goods, vehicles, electronics, and semi-finished products. Two other important items of import are fuel and raw materials, as Canada is the largest energy supplier to the United States. Canada ranks third in the world behind oil reserves after Saudi Arabia and Venezuela and is the only member of the five non-OPEC leaders. And uranium produced in Canada is part of the fuel for the U.S. nuclear power plants. Overall, U.S. exports and imports from Canada have not undergone dramatic changes in 20 years.

The United States is Mexico's largest trading partner, and Mexico is the second largest export market of the United States (after Canada) and the third largest trading partner (after Canada and China). The U.S. trade with Mexico has increased at a faster rate than with Canada. Over the last 20 years, exports between the U.S. and Mexico have grown by $143 billion and imports by more than $195 billion. In 1998, U.S. exports were dominated by consumer goods, electronics, manufacturing, transportation, as well as raw materials and fuel, according to the World Integrated Trade Solution [WITS, 2020]. In 2018, the U.S. exported manufacturing, electronics, consumer goods, vehicles and semi-finished products to Mexico. The structure of U.S. imports from Mexico in 1998 included manufacturing, electronics, semi-finished products, transportation, as well as plastics and rubber. In 2018, the structure has changed a bit – raw materials, livestock products and chemicals have joined the semi-finished products and production facilities. The U.S.-Canada trade balance with Mexico remains negative, moreover, in 2018, compared to 2008, the deficit between the U.S. and Canada is decreasing, while between the U.S. and Mexico it is growing.

International transactions in services are a major component of the current account of the balance of international payments. The United States is the largest exporter of services in the world. According to the Bureau of Economic Analysis, from 1999 to 2018, exports and imports of services between the U.S. and its USMCA partners have increased. During this period, exports of the U.S. services to Canada increased 2.5 times and to Mexico – 2.4 times. Imports from both countries increased almost twice during the same period. Thus, it can be concluded that exports of services from the U.S. to Mexico grew at a higher rate than to Canada. The structure of U.S. exports in 1999 was dominated by travel related services, intellectual property costs, transportation, and business and financial services [Bureau of Economic Analysis (BEA), 2020]. In 2008, the structure remained almost unchanged: first place was occupied by tourist services, second place - costs for the use of intellectual property, then business and transport services. In 2018, the share of business services in the export structure increased.

There were also no changes in the structure of imported the U.S. services. The leading position in 1999 was occupied by tourist services. According to the Bureau of Economic Analysis, in 2018, the main imported services were travel services, business, transportation services, and fees for the use of intellectual property [BEA, 2020]. The balance of the U.S. services with the USMCA member countries from 1999 to 2018 is positive. Canada and Mexico's international trade in services has also become closer. Over the past 20 years, exports have increased by $1.15 billion, and imports have increased by $2.6 billion. However, over the last 20 years, the countries have a negative balance of services, which is growing and amounted to $2.295 billion in 2018.

Since NAFTA was signed, bilateral investment volumes have grown significantly, both in terms of stocks and investment flows. The United States is Canada’s largest foreign investor. Countries have some of the largest and most comprehensive investment relationships in the world. American investors are attracted to Canada’s strong economic strengths, close to the U.S. market, highly skilled workforce and abundant resources. The United States accounts for more than 50 percent of Canada's total foreign direct investment. According to the U.S. Bureau of Economic Analysis, since 1998, the amount of direct investment in Canada has increased by $303 billion. In 1998, the U.S. investors invested their capital in Canada mainly in the production of oil and chemicals, transportation equipment, food, as well as in the financial, insurance and real estate sectors. In 2018, the most invested areas in Canada were the extraction of minerals, in particular metals, the production of transport equipment, chemicals, food, as well as holding and financial companies. Over the past twenty years, the U.S. investment in Mexico has increased by $88 billion. In 2018, Mexico has received $114.8 billion from the United States. Mainly, the production of vehicles, food and chemicals, trade, financing and insurance was invested this year [BEA, 2020].

According to the Bureau of Economic Analysis, total foreign direct investment in the United States increased to $4.34 trillion in 2018 compared to $4.03 trillion in 2017 [BEA, 2020]. Canada ranked in the top three in terms of investment in the United States in 2018, after Europe, Asia and the Pacific. Over the past twenty years, Canadian direct investment to the United States has grown by more than $380 billion. In 1998, Canadian invested in the production of computers and electronic products, real estate, financial sector and insurance. In 2018, Canada's direct investment was primarily focused on the financial sector and insurance, wholesale and retail, real estate, and chemical industry. Thus, it can be concluded that NAFTA has created a favorable investment climate in both countries over the years, which has increased investor confidence. In 2018, Mexico's direct investments in the U.S. totaled $18.7 billion, almost eight times more than in 1998. According to the Bureau of Economic Analysis of the United States, in 1998, Mexico invested in the United States in food production, depository institutions, and wholesale. In 2018, it was invested in food production, chemicals and metalworking, trade and real estate.

The United States is one of Ukraine's major trading partners. In 2018, bilateral trade amounted to about $ 4.07 billion, but the trade balance between countries remains negative. In 2018, Ukrainian exports to the U.S. totaled $ 1.1 billion; up nearly $ 283 million more than in the previous year. This was mainly due to the increase in exports of ferrous metal products, electric machines and some food products. Overall, U.S. exports tended to fluctuate between 2013 and 2018, but since 2017 they have increased nearly 1.4 times compared to 2018. In the structure of Ukrainian exports in 2018, ferrous metals occupy a significant share (mainly cast iron) - about 63%, ferrous metal products – 12.2%, electric machines – 4.2%, as well as sunflowers and soybeans [State Statistics Service of Ukraine, 2020].

Trade relations between Ukraine and Canada in 2018 received a positive trend towards an increase in bilateral trade. Exports to Canada from 2013 to 2018 also tended to fluctuate. Since 2017, Ukrainian exports began to increase, which is the result of the free trade agreement between Ukraine and Canada, which was signed over a year ago. In 2018, exports totaled $ 74.1 million, 1.5 times more than the previous year. This was due to increased exports of ferrous metals, copper, some food and furniture. Exports in 2018 are dominated by ferrous metals – 27.5%, copper and copper products – 18.6%, as well as tannins, nuclear reactors and boilers and vegetable processing products [State Statistics Service of Ukraine, 2020].

Mexico is one of the main trading partners of Ukraine in Latin America. In 2018, exports grew to $ 155.5 million, almost 20% more than in 2017, due to increased exports of seeds and fruits of oilseeds, ores, slag and ash, as well as tobacco. Ferrous metals account for the largest share in the export structure, 27%, cereals 21.7%, ores and slag 14.7%, as well as oilseeds and products of the flour and cereals industry [State Statistics Service of Ukraine, 2020].

In 2018, Ukrainian imports from the United States rose to $2.96 billion, which is almost $438 million more than in the previous year. Overall, in 2018, Ukraine imported from the United States such goods as mineral fuels, oil and its distillation products - 32.1%, vehicles and electric machinery - 18%, as well as nuclear reactors and auto parts. Imports from Canada have also been increasing since 2015. In 2018, it was $333.1 billion, which is almost 60% more than in 2015. Imports in 2018 were dominated by mineral fuels, petroleum and distillation products – 49.2%, fish and crustaceans – 10%, pharmaceuticals – 7.4%, land vehicles – 6.6%, and nuclear reactors – 6.2%. Imports of goods from Mexico have been steadily increasing since 2016, but their volumes remain small compared to Canada and the United States. In 2018, it was 169.7 million, up 32.6 million from the previous year. Imports in 2018 are dominated by goods such as vehicles – 29%, electric cars – 16.7%, nuclear reactors and boilers – 14.9%, alcoholic and non-alcoholic beverages and vinegar - 9.4%, and pharmaceuticals production – 4.9%. The amount of Ukrainian exports of services to the United States has been moderately increasing since 2016, reaching $ 947.8 million in 2018, which is almost $ 100 million more than in the previous year. Exports to the U.S. in 2018 are dominated by telecommunications services, computer and information services – 64.9%, transportation services – 17.4%, business and financial services – 12%. Exports to Canada in 2018 were down $ 5.8 million from the previous year, but the balance of services is positive. This year the export structure was dominated by: telecommunications, computer and information services 66.5%, transport services – 17.9%, business services – 11.4% and tourist services – 2.4% . The amount of Ukrainian exports to Mexico has increased slightly to $ 0.283 million in 2018. The structure of exports is as follows: tourist services – 31.7%, transport services – 13.6%, telecommunications services, computer and information services – 11.7%, business services – 10% [State Statistics Service of Ukraine, 2020].

The amount of Ukrainian imports from the U.S. in 2018 declined substantially to $ 234.4 million, which is almost 3 times less than in the previous year. Imports from the United States are dominated by: business services – 28.4%, financial services – 24.4%, telecommunications services, computer and information services – 13.6%, royalties and other related services using intellectual property – 12.2% and transportation services – 11.2%. Services imports from Canada have fallen significantly in 2018, almost 5 times. The structure of imports is as follows: business services – 39.7%, transport services – 21.9%, royalties and other services related to the use of intellectual property – 11.1%, telecommunications, computer and information services – 8.7% and tourist services – 5.9%. Imports of services from Mexico in 2018 have almost tripled compared to the previous year and amount to $ 2.1 million, mainly due to an increase in imports of tourist services. The structure of imports in 2018 includes: tourist services – 43.4%, business services – 28.2% and transport services – 3.2%.

The volume of direct investments from the U.S. into the Ukrainian economy in the period from 2013 to 2018 is steadily decreasing. In 2018, the volume was $ 517.4 million; almost twice less than in 2013 and $ 67.8 million less than in 2017. This tendency may be explained by the lack of real investment instruments and mechanisms for attracting investments in Ukraine, as well as by increasing competition for obtaining investments from other developing countries. On the contrary, the volume of direct investments from Canada to Ukraine has increased. In 2018, they totaled $ 49.7 million, up $ 8.6 million from the previous year. This situation is a consequence of the signing of the Free Trade Agreement between the countries and further deepening of relations. All this has led to increased activity of both large and small companies, and therefore increased investment inflows. In 2018 countries have invested in economic activities such as industry (mainly processing), wholesale and retail trade, financial and insurance activities, and real estate transactions in the Ukrainian economy [State Statistics Service of Ukraine, 2020].

Foreign direct investment from Ukraine to the United States from 2013 to 2017 tended to decline, but in 2018 it increased to $ 0.6 million. In 2018, Ukraine invested mainly in professional, scientific and technical activities, which accounted for 94.7% of the total investment [State Statistics Service of Ukraine, 2020]. Thus, it can be concluded that the bilateral trade relations between Ukraine and the USMCA member states for the period 2013-2018 have improved and continue to deepen.

The revised Free Trade Agreement in North America is expected to have a major impact on the U.S. economy. In the industrial and energy sectors, it is expected that USMCA will have a particular impact on the automotive industry. According to the United States Commission on International Trade, provisions relating to other sectors of industrial goods, including chemicals and pharmaceuticals, electronic, energy products, textiles and clothing, will not have a significant impact on the economy as a whole [30]. Since the USMCA provides duty-free access for cars, 75% of the content of which comes from the three participating countries, this will lead to an increase in the production of automotive parts in the United States. These changes will lead to an increase in the employment rate of people working in the automotive sector. At the same time, prices for passenger vehicles and cars will rise in the United States, which will lead to a decrease in their consumption. It is expected that the USMCA will have a positive impact on the U.S. agricultural sector. The combined impact of all USMCA provisions could increase U.S. annual total exports of agricultural and food products by $ 2.2 billion. (1.1%) [United States International Trade Commission, 2019]. It can be noted that a large number of USMCA provisions on trade in services will not have a significant impact on the production and trade of services in the participating countries. Analyzing the impact of the USMCA on the investment activities of member countries, it can be noted that investment relations between the United States and Canada are not subject to significant changes. However, U.S. investment to Mexico is expected to decline in all areas except five economic sectors, which are allowed to use the rules of the dispute resolution process between investors and the state (oil and gas, electricity, telecommunications, transportation services and some infrastructures). The development of the American coal industry is estimated to increase due to the increase in capital released in Mexico. On the issue of labor, it is expected that the USMCA will lead to higher wages and better working conditions. The Commission suggests an increase in the salaries of Mexicans by 17.2%. This situation will have a moderate impact on the U.S. economy. Thus, the USMCA will stimulate economic growth and create more jobs for American workers. The U.S. GDP may increase by $68.2 billion and will give about 176 thousand jobs. U.S. exports to Canada and Mexico will increase by 5.9% and 6.7%, respectively. U.S. imports from Canada and Mexico will increase by 4.8% and 3.8%, respectively [United States International Trade Commission, 2019].

Empirical results. In order to assess the importance of foreign trade for the United States in the framework of NAFTA the following linear regression model (OLS) is constructed.

Dependent variable: GDP (the U.S. GDP, billion U.S. dollars). The vector of independent variables: TrC – the United States-Canada trade balance, billion U.S. dollars; TrM – the United States-Mexico trade balance, billion U.S. dollars; Unemp – the U.S. unemployment rate, %; IntR – the U.S. interest rate, %.

The model of OLS regression is:

$$GDP = \beta_1 * TrC + \beta_2 * TrM + \beta_3 * Unemp + \beta_4 * IntR \qquad (1)$$

The annual data ranges from 1994 to 2019. The model is testing the hypotheses if growth in the U.S. GDP (GDP ↑) is caused by an increase in the trade balance with Canada (TrC ↑) and Mexico (TrM ↑).

The result of the regression model is:

$$GDP = 0{,}268 * TrC - 0{,}765 * TrM - 0{,}188 * Unemp - 0{,}307 * IntR \qquad (2)$$

$$(5{,}585^{***}) \quad (-11{,}510^{***}) \quad (-3{,}557^{***}) \quad (-4{,}357^{***})$$

All standardized beta-coefficients are significant at 1% significance level; $R^2 = 0.953$ (the factors selected for the analysis explain the dependent variable by 95.3%); F = 106.9.

The regression analysis shows a significant causality between the amount of the U.S. GDP and the country's trade balances with Canada and Mexico. For the period 1994-2018, an increase in the trade balance of the U.S. with Canada causes an increase in GDP, as the coefficient of the independent variable TrC is positive. An increase in the trade balance between the United States and Mexico causes a decrease in GDP.

Thus, an important result of the regression analysis is that during the existence of NAFTA, the U.S. trade with Mexico had a negative impact on the U.S. GDP. Negative impact of the US-Mexico trade on the U.S. economy is confirmed by a constantly negative trade balance between the USA and Mexico. While if the presence of a negative trade balance between the USA and Canada is fully compensated by a positive balance of services, the the positive balance in trade in services between the USA and Mexico is significantly less than the negative trade balance. And this argument became the main one for the President Trump in his pressure on Mexico to revise the terms of the NAFTA agreement.

However, this argument is not indisputable. In particular, Mexico and Canada reported substantially larger U.S. goods surpluses in the same relationship. This reflects the large role of re-exported goods from other countries. The U.S. statistics calculate goods coming into the U.S. territory the third countries and being exported to trading partners, without substantial transformation, as exports from the United States. Canada and Mexico calculate these re-exported goods as imports from the country of origin. In the same way, export data from Canada and Mexico may include re-exported products originating in other countries as part of their exports to the United States, whereas U.S. data indicate these products as imports from the country of origin [Office of the United States Trade Representative, 2020].

The negative coefficient on the Unemp variable indicates that there is an inverse relationship between the U.S. unemployment rate and the country's GDP, that is, by increasing the unemployment rate by one standard deviation, GDP will decrease by -0.188 standard deviations. This result of the model is fully confirmed by recent positive dynamics of GDP and labor market in the United States.

The regression analysis also showed that there is an inverse relationship between GDP and interest rate in the United States from 1994 to 2018. Increasing the interest rate by one standard deviation, GDP will decrease by -0.307 standard deviations. The presence of the inverse relationship between the interest rate and the U.S. GDP, confirmed by the model, has also become an argument for the President Trump in his pressure on the Federal Reserve with a demand to lower the interest rate.

Conclusions. Analysis of the economic efficiency of the integration bloc showed that NAFTA gave incentive to sustainable economic development of the countries. Their GDP and per capita GDP have been growing steadily between 1998 and 2018, the unemployment rate in the three countries remains low, and the inflation rate in the United States and Canada has been quite low over the same period, while in Mexico it has decreased significantly. NAFTA has spurred substantial productivity gains in the Canadian economy. Between 1998 and 2018, trade between the United States and Canada increased. U.S. trade with Mexico increased at a faster pace than with Canada. The U.S. trade balance with Canada and Mexico remains negative. Analysis of trade in services showed that in 1999-2018, U.S. exports to Canada increased 2.5 times, and to Mexico increased 2.4 times. Imports from the two countries almost doubled over the same period. Relations between Canada and Mexico regarding trade in services have also become closer; in 20 years, trade volumes have almost quadrupled. Since 1998, direct investment from the United States to Canada has quadrupled, and to Mexico more than quadrupled. Foreign direct investment in the United States increased, with Canada joining the top three countries investing in the U.S.

Mexico benefited particularly from NAFTA, as its provisions on foreign investment helped consolidate the government's reforms, which contributed to improving the country's investment climate.

The regression analysis showed a significant relationship between the U.S. GDP and foreign trade with Mexico and Canada, unemployment and interest rates. Its results revealed that the U.S. trade with Canada had a positive impact on the U.S. GDP; in the same time the U.S. trade with Mexico had a negative impact on the U.S. GDP, which became the main argument for President Trump in his pressure on Mexico to revise the terms of the NAFTA agreement. The regression results have also proved the assumption, that there were an inverse relationship between GDP and interest rate in the United States from 1994 to 2018.

The volume of bilateral trade in goods and services of the USMCA member countries with Ukraine increased over the period 2013-2018. The relations of countries regarding foreign direct investment are developing less stable. If the flow of investment from Canada increased as a result of the Free Trade Agreement between the countries, the volume of investment from the United States decreased, reflecting the lack of mechanisms to attract investment in Ukraine, as well as increased competition for investment from other developing countries.

Research results suggest that the USMCA, which replaced the NAFTA, will probably spur economic growth and create more jobs in the United States. This agreement tightens labor standards and protection of intellectual property rights, especially in Mexico, thus, probably reducing the attractiveness of Mexican economy to foreign investors, which is likely to reduce the U.S. investment in Mexico. Thus, Canada and Mexico are expected to receive less benefit from the USMCA for their economies than the United States.

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