ONE-SIZE-FITS-ALL TRADE LIBERALIZATION: THE FURTHER DISINTEGRATION OF EUROPE

Andrea Hossó

Please do not cite without permission.

Abstract

In an era of momentous political pressure for global trade liberalization, all countries are well-justified in asking how their economic performance and societies' well-being will be impacted by the trade agreements under negotiation (CETA, TTIP, TPP, TISA). This impact is difficult to estimate not only because the negotiations tend to be conducted in secrecy interrupted by sporadic bursts of incomplete information, but also because the approach advocated by the economic and political mainstream, CGE and other quantitative models, cannot give but only a partial view.

Yet, there is an obvious empirical experiment offering a wealth of inferences. The North American Free Trade Agreement (NAFTA) has been in effect for 20 years and its impact on its three parties, Canada, the USA and Mexico is observable and relevant both on a macroeconomic and an enterprise level. In summary, the agreement has helped multinational companies able to take advantage of the opportunities it provides but has had a measurably negative impact on all three members' macroeconomic conditions.

Central European members of the European Union (EU) are expected to be subject to TTIP as negotiated by the EU. TTIP, however, will not necessarily be positive for the EU, and certainly not for all member states. In fact, the history of free trade agreements points to a significant differentiation in trade liberalization impact depending on the structure and level of development of individual macroeconomies.

The Euro crisis has put in evidence the substantial structural differences of the Northern core and Southern periphery economies. Not much attention has, however, been paid to the "third" component of the EU: Central Europe. While considered periphery as well, the economic structure and social welfare system of this region differ radically from those of the rest of Europe.

A macroeconomic comparison between Mexico and Central Europe reveals a surprising number of structural similarities even allowing for the idiosyncrasies of both. Thus using Mexico's Nafta experience offers valuable insight into the predictable impact of TTIP on Central Europe.

This paper aims to call attention to an obvious but often ignored fact: Central Europe is different from Western Europe and its economic and overall national well-being cannot be improved through one-size-fits-all policies. The exploration of this topic requires more detailed work.

This paper argues that TTIP, as envisaged to date, will have an overall negative impact on Central Europe in ways which are broadly similar to Nafta's impact on Mexico. It puts forward the view that trade liberalization can only be beneficial for all participants if it takes into account individual partners' level of development and economic structure. The one-size-fits-all approach will strengthen the strongest parties' position and exacerbate the disadvantage of the weak ones. In a European context this will inevitably lead to even more grievous imbalances within the EU leading to concomitant social and political disturbances.

Keywords: trade, NAFTA, TTIP, Mexico, Central Europe, dependent economy

Background

We are living in an era of intensified globalization. This is all the more surprising as the 2007-2008 financial meltdown, which subsequently segued into a world economic recession rivalling if not surpassing the famous 1929-39 Great Depression, should theoretically have prompted both economists and politicians to reassess the merits of neoliberal economic policies pursued increasingly since the 1970s. Against all rational expectations, so far not only has this reassessment failed to materialize apart from some individual attempts to date largely dismissed by the mainstream, but the global meltdown has even sped up and rendered more forceful the liberalizing efforts. This is strongly manifested in the aggressive pursuit of a network of "new generation" trade agreements, (CETA, TPP, TTIP, TISA), designed to establish a binding neoliberal legal framework globally.

This "new generation" of trade and investment protection agreements has reached new ideological heights in neoliberal economic thought. These so-called free trade treaties go considerably beyond any measure of free trade agreements in their effort to smooth the path of corporate globalization. Using regulatory cooperation and investment protection (ISDS, ICS) measures, their aim is to eliminate all non-tariff barriers perceived to hinder or limit the scope of corporate business.

These purportedly straightforward administrative simplifications and investment protection rules are said to seek to make trade more efficient, therefore more competitive and therefore more wealth-creating. In fact, they do something else: they codify a neoliberal economic world order severely curtailing the capacity of national governments to shape national economic policy and to represent the "public good" vis-à-vis big corporate interests. We are contemplating a proposed world in which multinational corporations dictate laws and standards as they see best to serve their perceived corporate interests.

The argument has often been made that whatever serves corporate interests serves national interests as well since corporations create jobs, growth and wealth. Nonetheless, it is self-explanatory that market regulation is necessary for well-operating economies. A free-for-all marketplace where the strongest players shape the rules to suit their momentary economic needs would be like human society in general without laws. It would indeed create inefficiencies, oligopolies and monopolies which would benefit the few at the expense of the majority, including small businesses and consumers. This is the reason why free markets enjoying long-term success usually operate within sensible and strict legal frameworks. In theory, this is the reason why developed countries and international organizations insist on developing countries' putting in place a proper legal framework and institutions before distributing aid or loans to them.

Looking beyond intuitive responses, it is imperative to investigate the universally accepted merit of free trade as a zero sum game whereby all participants gain by opening up their borders. There is a political-economic argument which links peace and democracy to free trade. "Hull appreciated both the economic and political benefits of trade liberalization. He explicitly linked trade policy to foreign policy and saw commercial agreements as fostering international peace and cooperation." (Irwin 2008) Fletcher points out that the United States has used free trade as a foreign policy tool even though it has suffered the adverse economic consequences of such policies. (Fletcher 2011)

Mainstream economics maintains that free trade means growth and prosperity for all participants. Its representatives emphasize that the best way forward for developing countries is to emulate the openness of developed economies. They recommend short-term gains of specialization made on the basis of comparative advantage, but little work has been done on the long-term consequences of such policies for developing economies. Fletcher points out that "The root problem is simple: when free-market economics says free trade is best for our economy, it takes no position on whether this is best in the long or short term. In fact, free-market economics takes no position on whether *any* policy it recommends is best in the long or the short term. It treats short- vs. long-term well-being as an arbitrary consumer-driven preference, like whether the economy should produce pork or beef." (Fletcher 2011) Yet careful analysis of economic history shows that applying sweeping free trade and investment agreements between countries which are at different levels of economic development and have different economic structures cannot conceptually, let alone practically, be a long-term win-win game.

Some economists have started to question the validity of the mainstream doctrine of the universal merits of free trade (e.g., Chang 2007, Fletcher 2011, Rodrik 2015). They call attention to the fact that today's developed countries applied targeted industrial policies and protectionist measures until they reached an advanced state of economic development enabling them to benefit from free trade. They point out that free trade is not the universal panacea equally beneficial for all countries at all states of development. They warn about the consequences of premature trade liberalization for less developed countries.

TTIP is being marketed both in the USA and the EU as the win-win game that will unleash the potential of a giant transatlantic marketplace opening up even more commercial possibilities between largely equal economic partners, two democratic free-market giants. These continents operate under the same free-market principles and both have developed institutional and legal systems.

Considering the claims linking free trade to democracy (Griswold 2007) it may seem supremely ironic that the negotiations –just as those of TPP– are being conducted in utmost secrecy. This circumstance makes it highly difficult to attempt to make an assessment about the impact of such an agreement on the parties. Nonetheless, politicians, big business and most mainstream economists do not tire of exalting its merits and the alleged overall benefits it will bestow on all participants. The support is underpinned by two major factors: one is a set of macroeconomic, mostly CGE-based simulations, which try to show the quantitative impact of the envisaged trade agreement, and the other is the prevailing neoliberal theory that free trade is unequivocally good and wealth-creating for all.

Discussions rarely touch on the benefits of trade on the entirety of the European Union (EU); if at all, they do so mostly in political terms. Serious economic analysis on regional or country-specific impacts are few. Despite obvious differences amongst the different member states and regions of the EU, politicians insist on treating it as an integral economic entity; therefore, no consideration is accorded to the predictable differences of the envisaged treaty’s impact on the different member states.

The 2007 financial and economic crisis has brought to the fore the evidence that the EU consists of roughly two different regions: the core and the periphery. Another distinction, based on geography and history is North and South, which roughly agrees with the developmental classification.

There is, however, very little mention of the fact that the EU consists of three major geographical-historical-economic regions, the third being Central Europe (CE). This region is also a periphery of the core EU countries, but in many respects different from the Southern rim. Due to this region's different history, economic structure and level of economic development, the impact of TTIP on it will predictably be different from that on the rest of the EU.

Most studies predict that TTIP will bring even more integration, even higher FDI inflows and higher volumes of trade for CE countries. These studies fail to point out two important facts: that higher trade and FDI do not necessarily translate into higher economic well-being, just as in the case of Mexico, and that CE countries already produce both extremely high export and FDI figures without much economic convergence to show for it.

TTIP and Central Europe

The official view of both CE governments and EU officials is that TTIP will be ultimately beneficial for the region. Objections and warnings are usually waved aside citing lack of information on TTIP and its final content. The irony of staunch support for a major treaty of yet unknown content clearly escapes officials and politicians.

Yet, there is a highly relevant example of a major free trade and investment protection agreement, which was the vanguard of the present "new generation" agreements: The North Atlantic Free Trade Agreement (Nafta). Nafta has been in effect since 1994 and thus offers a significant track record over the past 21 years. Nafta is also highly relevant to the case of CE as it was concluded among three countries of very different levels of economic development and political and economic clout.

Mexico was clearly the weakest member of the trio. A large country with a colonial past and the concomitant delay of institutional and economic development it has to date not entirely managed to remedy. The country had a long period of import substitution and state-led developmental economic policy suddenly abandoned in the 1980s for a liberal, open market policy. This period of economic liberalization was the prelude to Nafta, which integrated Mexico into a much more prosperous and much more powerful North American economic area.

In an attempt to forecast the impact of TTIP on the different parties, it is indispensable to compare the promises and the actual results of the Nafta agreement after 20 years. (Blecker 2014, Campbell 2013, Grumiller 2014, Weisbrot, Lefebvre, Sammut 2014). After 20 years it is evident that ex-ante promises and ex-post results show a big gap. The ex-ante predictions showed an increase in trade flows, GDP growth, employment gains and wage rises for all three parties to the treaty. The ex-post results show that all three parties have been disappointed, not only the economically most backward Mexico.

From a CE point of view, the most apt comparison is Mexico. Both Mexico and CE underwent long periods of colonial rule. Their economies have suffered the consequences showing backwardness compared to developed economies. Both introduced strong liberal economic policies before joining a free trade area. Mexico changed its macroeconomic policy from import substitution and government-led support of the national economy to a very liberal regime from the 1980s. CE, freshly emerging from under Soviet colonial rule in 1990, followed the liberal economic doctrine as advised, indeed prescribed, by international organizations such as the World Bank, the IMF and the GATT, later WTO. CE governments opened up their markets without any meaningful transition period or definite idea about where their long-term economic policy should be going. Both Mexico and CE are in the immediate neighborhood of big powers –Mexico borders the USA, CE is between the EU and Russia– and thus see their sovereignty effectively curtailed to varying degrees.

Both Mexico and CE were led to adopt the liberal economic course with the same expectation: quick economic convergence with their developed neigbours, quickly becoming part of the core rather than the periphery, with the concomitant increase in GDP, employment, real wages. This was supposed to be attained through economic integration with their more developed neighbours, the USA for Mexico, and the EU for CE. The strategy was similar: attract foreign capital offering cheap labour to become a hub for export-oriented FDI-led manufacturing, and thus create manufacturing jobs, decrease unemployment, and reduce the national debt through exports. As a result of FDI-driven economic growth, Mexico expected prosperity and the concomitant decrease of mass migration to the USA, while the USA expected to have a more stable neighbour to the South. The inevitable Nafta-created unemployment was supposed to be absorbed by newly created better quality manufacturing jobs. CE expected a quick restructuring and becoming "efficient" and thus prosperous market economies. Neither Mexico nor CE had the patience and the foresight to envisage an organically developed, sovereign economic policy. The expectations were not met in either case.

The case of Mexico

Ex-ante predictions of Nafta were positive for all three members, but most optimistic for Mexico (Grumiller, 2014). The estimates showed a great dispersion from mild to high growth depending on methodology and assumptions, but in general predicted positive results. Ex-post reviews show that these expectations have not been met. "The impact of NAFTA on real GDP and welfare as evaluated by ex-post studies seems to be significantly lower than expected by ex-ante projections, even though the literature is not extensive." (Grumiller 2014) "…up to the present, liberalized trade in general and NAFTA in particular have failed to fulfill the promise of closing the Mexico-U.S. development gap…" (Blecker and Esquivel, 2012).

Looking at different measures of economic development such as employment, wage and GDP growth, the treaty resulted disappointing in all of them. GDP and employment growth was expected to be strong and real wage increases were predicted to be the highest in Mexico even though based mostly on the effect of increased FDI flows as Mexico had been liberalizing its markets and eliminating tariffs for years by then. (Blecker 2012, Grumiller 2014)

Mexican exports and FDI indeed soared in the years following Nafta. (The increase of FDI needs to be seen in the context of a general increase in FDI flows towards all developing countries as most countries liberalized rules on foreign ownership. UNCTAD FDI inflows by region and economy, 1990-2014). Despite increased trade flows and inward FDI, economic convergence with the US has failed to materialize.

“Between 1992 and 2012, exports grew at 8.6 percent a year while the economy as a whole only expanded at an annual average of 2.8 percent.” (Reuters 2014)

US and other foreign companies flocked to Mexico to take advantage of that country’s comparative advantages, abundant cheap labour and geographical proximity. The country specialized in “maquiladora” manufacturing, basically assembly work, which is not knowledge-intensive and does not produce significant added value. Gross added value in the various sectors of the economy barely changed between 2003 and 2013 (INEGI 2013). For years during the run-up to Nafta, the Mexican government lowered tariffs, removed import quotas and licensing requirement on imports; therefore, import figures shot up as transnational corporations (TNCs) were allowed to import parts and relied mostly on foreign suppliers. (Gallagher 2004) “Mexico is North America’s regional opportunity” wrote two professors in 1990. “Many U.S. companies have recognized the benefits of establishing maquiladora assembly facilities along the Mexico-U.S. border. These plants are wholly owned by U.S. companies and, as a result of special legislation, export finished goods back to the United States; only the value added by cheap Mexican labor is subject to the U.S. tariff schedule.” (Sanderson and Hayes1990).

The arguments of technological spillovers as a motor of homegrown industrial entrepreneurship has not materialized except in a minority of cases. (Contreras and Carrillo, 2011)

In fact, the economic development gap has widened between Mexico and the USA. Blecker and Esquivel show that Mexico’s performance relative to the USA actually deteriorated after Nafta both in terms of GDP per capita and GDP per hour worked. (Blecker and Esquivel 2012) This happened despite very significant increases both in trade volumes, especially in Mexican exports to the US, and significant FDI inflows. (Monje-Naranjo 2002).

Mexican wages have basically not or barely increased since Nafta. (Statistics Canada 2009, ILO 2012/13, BLS 2012) At the same time poverty has increased. (Coneval 2010).

It follows that the informal economy is huge (58% in 2014 according to Coneval), the crime rate is high and growing, and mass emigration, mostly to the US, has actually increased instead of falling.

This economic model has some serious disadvantages. Wages kept low to maintain competitiveness deprive the economy of its internal market. Even these very low wages, however, have not been able to protect the country from Chinese competition. For a period Mexico lost some of its competitiveness and market share in the USA.

Another problem is that Mexico is so “integrated” with the USA that its economy closely follows the USA business cycles. There is no independent, home-grown economic growth motor. “...Mexico is not building capacities for internal innovation and production, the long-term prospects for sustainable industrial development in Mexico are grim.” (Gallagher 2004)

“The manufacturing sector does not seem capable of supplying adequate numbers of jobs in Mexico” (Blecker and Esquivel 2012), therefore Mexico needs to focus on other sectors. But all these years there has been no serious, focused attempt to develop other, more autonomous sectors that could absorb the workforce and produce more added value.

Central Europe

CE was a Soviet colony from 1945 to 1990. The countries of the region differ in many respects, but the shared experience of almost half a century of Soviet domination and forced participation in the command economy experiment created certain common characteristics. In 1990, the year of formal independence from the Soviet Union, they all faced the momentous task of economic transformation. Without exception, they all wished to become market economies and members of the European Union.

Interestingly, all CE countries followed the same trajectory towards these goals with some differences in speed and degree of liberalization. Their chosen path towards “economic convergence” with the West was almost immediate, complete liberalization without a transition period and thought for sustainable long-term economic development. Their strategy was much influenced by the triumphant liberalism of the West so typical of the 1990s as conveyed by international organizations. Even more important was the influence of the countries of the European Economic Community (EEC) and then the European Union (EU). The latter has to date played a very active role in shaping the macroeconomic policies of the newly independent CE states with the discernible purpose of preventing them from becoming competitors and turning them into periphery countries serving the strategic economic interests of the old EC member states. (Jacoby 2010)

The CE countries' economic strategy show a remarkable parallel to that of Mexico after the 1980s when it started a program of aggressive liberalization. Mexico by then had achieved some economic results through its import substituting, state-led developmental policies. These results were almost completely wiped out by the liberalizing push. CE countries were released from Soviet colonial rule with economies that, for well-known reasons, lagged behind Western standards and needed upgrading and restructuring. Nevertheless, they had developed some economic bases that could have been built upon with well-chosen strategies proper for their long-term development taking into account the current stage of their development. These bases were discarded and, with a few exceptions, consequently wiped out by undiscerning liberalization. They all went through a trade liberalization regime from 1992 culminating in their accession to the EU in 2004 and 2007.

CE countries, subscribing to the mistunderstood notion of efficient markets, believed that foreign capital will manage their economies better than the state. Their thesis was that FDI-led export-oriented industrial manufacturing will lead to economic convergence with the West via technological and knowledge transfer.

The CE countries differed from each other in degree and speed of opening up, but the basic thrust of their economic policy–or lack of it–was the same. They shared two important distinguishing features. One was that their governments did not set conditions to foreign investors; instead, competed with one another to win FDI and therefore jobs. The other was that in order to be attractive to foreign investors they "raced to the bottom" in providing incentives and concessions to maintain competitiveness as they understood that concept. (Pavlinek 2012, 2014, Csath 2015) This strategy continues. (Foy and Sharman, Financial Times 2015)

While they were outbidding one another to attract foreign capital, CE governments almost completely withdrew from active economic policy-making, leaving it effectively to foreign capital. They did little to develop a homegrown entrepreneurial class, national companies or sectors of excellence. The SME sector, which is the engine of growth and source of indigenous economic development everywhere, has received little or no support.

Not surprisingly, the end result is the same in Mexico and CE: ”two Mexicos” (Bolio 2014) and ”dual economies” (Báger and Pulay, 2010), where the export-oriented TNCs operate almost in isolation from the rest of the host economy. The struggling domestic SME sector barely manages to stay afloat.

This structure can be found across all the CE economies. For the purpose of an easy comparison with Mexico, it is important to investigate the automotive sector, the equivalent of the Mexican maquiladora industry.

The same way as Mexico became the center of US and then other foreign automotive assembly operations, CE countries became the chosen locations of Western, mostly German automotive companies. They were a logical choice of efficiency-seeking TNCs by dint of their geographical proximity, their generally good educational level and the cheapness of the workforce. TNCS were further attracted by the generous incentives provided by competing CE governments: tax holidays, substantial financial support out of national budgets and EU funds, the contribution of land and infrastructure, the relaxation of environmental laws. They could count on the host governments' watering down labour laws to provide an ”investor friendly” employment environment and ”flexible” labour conditions.

CE countries did not steer and set conditions to foreign capital: there were no ownership limits, local content and employment requirements, or specific training goals. They ignored foreign examples and research showing the importance of directing FDI in order to channel it into long-term development. China is an eminent example of a highly efficient, long-term and targeted FDI strategy. The Chinese government set conditions to foreign companies, set limits to foreign ownership and took measures to encourage technological spillovers in areas it deemed of strategic importance. (Hatani 2009)

By virtue of this strategy, CE countries, just like Mexico, have become links in the global value chain of Western, mostly European, automotive TNCs. As they pinned their faith on competitiveness based on cheapness, their place in the global value chain is downstream. (ECB 2013, Pavlinek 2014).

The abundant literature on the development of global value chains warns that production figures do not equate technological added value. ”We find a mutual integration of both regions which strengthens their respective competitiveness and specialisation patterns: Austria's intermediate exports are mainly characterized by high knowledge- and service-intensive manufacturing goods, while the EU enlargement countries of 2004 specialize in low-skilled employment and less knowledge intensive services.”(Kulmer 2015)

The structure of the CE automotive industry is that of hub and spokes, where the real value-added functions, especially R&D, stay in the home countries, while labour-intensive assembly work requiring little education and producing little added value is outsourced to periphery countries to take advantage of low cost. Technological spillover, that could and was hoped to be the basis of the host country's advance into higher quality technological functions, is scarce or impossible for a number of reasons. There can be intra-firm impediments where the TNCs do not allow vertical upgrading of functions to protect their own position, or simply because the R&D functions stay in the home country for structural reasons. This leads to “truncation”. “Truncation refers to foreign-owned subsidiaries, controlled from abroad, that do not engage in R&D, which is, along with high-level technical and managerial jobs, centralized in TNCs' home countries. …By limiting indigenous development, truncation contributes to industrial and technological underdevelopment in host economies. … large TNCs integrate less developed peripheral economies into the global economy in a dependent and disadvantageous position, which undercuts their potential for development.” (Pavlinek 2012) In general, even the tier one and tier two suppliers are foreign companies, and domestic contribution starts only at tier 3 level. (Kemenczei 2009)

TNCs use very high import content, repatriate most of their profits, enjoy generous tax holidays, generate only modest technological-managerial spillover, so the only meaningful contribution to the host economy is the low wages paid to the workforce.

The result predictably is the same as in Mexico. In all these years, the volume of car production has multiplied but added value has not. Employment and real wages have grown little, while poverty has increased (Bertelsmann foundation 2014, Eurostat 2015). Inequality is on the rise, as is social tension. The economy is unable to absorb the workforce even though these countries show falling demographic indicators. As a result, millions of CE citizens have emigrated to take up jobs in mostly Western European countries, further weakening CE economic potential.

Most importantly, the economic structure shaped by this strategy is a dependent one. These economies, unable to generate homegrown sustainable long-term economic development, permanently depend on FDI and EU transfers, the future availability of which is highly uncertain.

Conclusion: CE and TTIP

Mexico and CE are rather similar in their economic history. Starting from relatively closed positions, they implemented a sharp turnarond in their economic policies and became very open economies. Mexico entered Nafta in 1994. CE opened up suddenly in 1990 and destroyed most of their existing economic structures. In tune with the neoliberal triumphalism of the 1990s they expected the market to solve their macroeconomic problems leaving policy-making effectively to foreign investors. FDI-driven economic growth was supposed to lead to convergence with their developed neighbours in a short time.

The strategy was mistaken in both cases. The resulting structure is that of having become downstream links in TNCs' global supply chains, dependent on their developed neighbours' policies and business cycles for mere survival.

The major fault of this structure is that it leaves no room for any upgrading. It does not provide CE with the means and opportunities to become more technologically advanced, more prosperous economies.

CE governments seem to support the idea of TTIP. It is logical to ask whether economies that have become dependent following liberal economic principles are justified to pin their hopes of economic advancement on further trade and investment liberalization. In all likelihood, they do so because this serves the interests of the TNCs established in these countries.

One argument for supporting TTIP is that these countries are already dependent and therefore lose nothing by joining TTIP, which is supposed to help those TNCs who produce their export performance.

Their long-term interest, however, lies elsewhere. CE countries should change their economic strategies. They should reduce their dependence on FDI and EU transfers and start developing a healthier, more autonomous economic structure. EU membership has already hamstrung them; infringement procedures, TNC influence and political pressure has made it very difficult for them to pursue their own economic agenda. The TTIP treaty aims to codify a trade and investment regime that would make it next to impossible for these countries to even attempt changing their economic policies.

Trade and investment are important factors in economic development, but cannot substitute national economic policy-making custom-tailored to a country's own circumstances. CE's further decline will exacerbate the serious macroeconomic and political imbalances the EU is already facing. CE should refuse supporting TTIP in its present form and intend to take part in shaping the EU's trade and investment policy with a view to further its own organic development.

References

Báger, Gusztáv and Pulay Gyula (2010): *"Világpiaci integrálódás hazai felzárkózás nélkül"*, in: Polgári Szemle, 2010. év 6. évf. 1.sz. 270-288. p.

Bertelsmann Foundation: *"EU Social Justice Index",* 2014. https://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Presse/imported/downloads/xcms_bst_dms_40365_40366_2.jpg

Eurostat (2015): *"Material deprivation and low work intensity statistics",* 01.2015. http://ec.europa.eu/eurostat/statistics-explained/index.php/Material_deprivation_and_low_work_intensity_statistics#Severe_material_deprivation_rate_by_citizenship

Blecker, Robert A, and Gerardo Esquivel (2012): *"Trade And The Development Gap"*, Chapter forthcoming in Andrew Selee and Peter H. Smith, eds., Mexico and the United States: Strengthening the Partnership, Boulder, CO: Lynne Rienner, 2012. https://www.american.edu/cas/economics/research/upload/2012-9.pdf

Blecker, Robert A. (2014): *"The Mexican and U.S. Economies After Twenty Years of NAFTA"*, International Journal of Political Economy, Volume 43, Issue 2, 2014.

Bolio, Eduardo, Jaana Remes, Tomás Lajous, James Manyika, Morten Rossé, and Eugenia Ramirez (2014): *"A tale of two Mexicos: Growth and prosperity in a two-speed economy"*, McKinsey Global Institute, 03.2014.

Bureau of Labor Statistics (BLS) (2012): *"International Comparisons of Hourly Compensation Costs in Manufacturing"*, 19.12.2012. http://www.bls.gov/web/ichcc.supp.toc.htm#complete_report

Campbell, Bruce (2013): *"FTA at 25, NAFTA at 25"*, Canadian Centre for Policy Alternatives https://www.policyalternatives.ca/publications/commentary/fta-25-nafta-20

Chang, Ha-Joon (2007): *"Bad Samaritans, The Guilty Secrets of Rich Nations & The Threat to Global Prosperity",* Business Books, 2008.

Coneval (2010): *"Report of Poverty in Mexico. The Country, Its Federal Entities, and Its Municipalities"*, First Edition, 08.2010.

Contreras, Oscar F., Jorge Carrillo and Jorge Alonso (2011): *"Local Entrepreneurship within Global Value Chains: A Case Study in the Mexican Automotive Industry",* in World Development Vol. 40, No. 5, pp. 1013-1023.

Csath, Magdolna (2015): *"Mi a baj a magyar gazdaság szerkezetével?"* [What is wrong with the structure of the Hungarian economy? author's translation], in: Magyar Nemzet, 26.10.2015. p.8.

ECB (2013): *"Focus: The role of central and eastern Europe in pan-European and global value chains"*, in: ECB Monthly Bulletin, 06.2013.

Fletcher, Ian (2011): *"Free Trade Doesn't Work. What should replace it and why",* Coalition for A Prosperous America

Foy, Henry and Andy Sharman (2015): *"How Slovakia overtook Poland in factory race"*, in: Financial Times Special Report: Central and Eastern Europe Automotive & Manufacturing, 17.11.2015.

Gallagher, Kevin P. and Lyuba Zarsky (2004): *"Nafta, Foreign Direct Investment, and Sustainable Industrial Development in Mexico"*, Americas Program Policy Brief, 28.01.2004.
http://www.ase.tufts.edu/gdae/Pubs/rp/AmerProgFDIJan04.pdf

Griswold, Daniel (2007): *"Trade, Democracy and Peace: The Virtuous Cycle,"* Speech presented at the "Peace Through Trade" Conference, World Trade Centers

Association, Oslo, Norway. 20.04.2007.
http://www.cato.org/publications/speeches/trade-democracy-peace-virtuous-cycle

Grumiller, Jan-Augustin (2014): *"Ex-ante versus ex-post assessments of the economic benefits of Free Trade Agreements: lessons from the North American Free Trade Agreement (NAFTA).* Briefing paper. Austrian Foundation for Development Research, Vienna, 05. 2014.
http://www.oefse.at/en/publications/briefing-papers/detail-briefing-paper/publication/show/Publication/Ex-ante-versus-ex-post-assessments-of-the-economic-benefits-of-Free-Trade-Agreements/

Hatani, Faith, Dr. (2009): *"The logic of spillover interception: the impact of global supply chains in China"*, in: Journal of World Business, Vol. 44., Issue 2, pp. 158-166. 2009.

ILO (2013): *"Global Wage Report 2012/13, Wages and Equitable Growth"*

INEGI (Instituto Nacional de Estadística y Geografía) (2013): *"Mexico at a glance 2013"*

Irwin, Douglas A. (2008): "*Trade Liberalization: Cordell Hull and the Case for Optimism*", A Maurice R. Greenberg Center for Geoeconomic Studies Working Paper, Council on Foreign Relations

Jacoby, Wade (2010): *"Managing globalization by managing Central and Eastern Europe: The EU's backyard as threat and opportunity".* In: Journal of European Public Policy, Volume 17, Issue 3, 2010.

Kemenczei, Nóra (2009): *"Az állami támogatások szerepe a magyar autóiparban"*, [The role of state subsidies in the Hungarian automotive industry, author's translation], doctoral thesis, Budapesti Műszaki és Gazdaságtudományi Egyetem, 2009.

Kulmer, Veronika, Michal Kemitzkyi, Judith Köberl and Andreas Niederl (2015): *"Global Value Chains: Implications for the Austrian economy",* FIW-Research Reports 2014/15 No. 03, 04.2015.

Monte-Naranjo, Alexander (2002): *"The Impact of Nafta on Foreign Direct Investment flows in Mexico and the Excluded"*, Department of Economics, Northwestern University, 08.2002.
http://grizzly.la.psu.edu/~aum26/NaftaFDIexcludedCountries.pdf

Murray, Christine (2014): *"Mexico manufacturing surge hides low-wage drag on economy"*, Reuters, 02.06.2014.
http://www.reuters.com/article/us-mexico-economy-analysis-idUSKBN0ED20H20140602

Pavlinek, Petr (2012): *"The Internationalization of Corporate R&D and the Automotive Industry R&D of East-Central Europe"*, in: Economic Geography, Volume 88, Issue 3, pp. 279-310, 07.2012.

Pavlinek, Petr (2014): *"Whose success? The state-foreign capital nexus and the development of the automotive industry in Slovakia"*, in: European And Regional Studies, published online 10.12.2014.
http://eur.sagepub.com/content/early/2014/12/09/0969776414557965.full.pdf+html

Rodrik, Dani (2015): *"The Muddled Case for Trade Agreements".* In: Project Syndicate, 11.06.2015.
http://www.project-syndicate.org/commentary/regional-trade-agreement-corporate-capture-by-dani-rodrik-2015-06

Sanderson, Susan Walsh and Robert H. Hayes (1990): *"Mexico – Opening Ahead of Eastern Europe"*, Harvard Business Review, 1990.
https://hbr.org/1990/09/mexico-opening-ahead-of-eastern-europe?cm_sp=Article-_-Links-_-Comment

Macdonald, Ryan (2009): *"SNA Measurement of Real Income, An Application to Mexico",* Statistics Canada

Weisbrot, Mark, Stephan Lefebvre, and Joseph Sammut (2014): *"Did Nafta Help Mexico? An Assessment After 20 Years"*, Center for Economic and Policy Research (CEPR), Washington, D.C., 02.2014.
http://cepr.net/documents/nafta-20-years-2014-02.pdf

UNCTAD *"FDI inflows by region and economy, 1990-2013"*
http://unctad.org/Sections/dite_dir/docs/WIR2014/WIR14_tab01.xls