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Free Trade or Fair Trade? Impacts of Free Trade Agreements on Equitable Development in Mexico and Vietnam

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Abstract

This article examines the economic and ethical impacts of the implementation of Free Trade Agreements (FTAs) on equitable economic development in Mexico and Vietnam. Mexico was a member of the North American Free Trade Agreement (NAFTA) from 1994 to 2020, when NAFTA was replaced by the United States-Mexico-Canada Agreement (USMCA). Vietnam is a member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) since 2019. While trade liberalizations are often credited with driving economic growth, there are concerns whether the benefits are distributed equitably amongst citizens, particularly vulnerable populations. By analyzing a variety of economic and social indicators trade, this study reveals a complex interplay of positive and negative outcomes, highlighting the ethical implications of FTAs in fostering or undermining long-term sustainable and inclusive development.

I. Introduction

Trade liberalizations are often praised for their ability to stimulate economic growth, attract foreign investment, increase productivity, and encourage globalization and assimilation into international markets. Free Trade Agreements (FTAs) are multinational compliances to remove existing protectionist policies (e.g., tariffs, quotas, import/export restrictions) in order to enhance competition, which in turn encourages innovation and efficient allocation of resources. It is often seen as an imperative for developing countries to grow their economies by integrating into global supply chains and accessing larger consumer markets.[1] Although FTAs provide significant economic benefits, their social implications remain contentious. This article explores some key economic effects and ethical implications of a.) the North American Free Trade Agreement (NAFTA) on Mexico and b.) the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on Vietnam.

NAFTA was effective from January 1, 1994, until it was replaced by the United States-Mexico-Canada Agreement (USMCA) on July 1, 2020. NAFTA aimed to remove trade barriers such as tariffs between the United States, Canada, and Mexico, to increase productivity for businesses and lower consumer

[1] Krugman, Obstfeld and Melitz (2018).

costs across all three members.[2] Additionally, terms dictated that goods had to meet specific 'rules of origin' criteria, ensuring that products originated from the member countries and preventing non-members from benefiting indirectly. Further, the agreement included provisions to protect intellectual property rights, ensuring that creators and businesses could safeguard their innovations and work across member countries. Although the main text of NAFTA focused on economic issues, the side agreements addressed environmental and labor concerns, promoting sustainable development and enforcement of labor laws. In general, the intended effects of NAFTA were as follows: to increase trade and economic activity, create jobs and assimilate markets, lower consumer prices, encourage innovation and competitiveness, and establish legal and regulatory frameworks.[3]

The CPTPP is a free trade agreement between 11 countries: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. It has many similarities with NAFTA in the areas of duty-free trade of goods and services, protection of intellectual property, as well as the rules of origin.[4] However, in contrast to NAFTA, the agreement requires labor protections to be fully integrated into the main agreement, following the International Labor Organization (ILO) standards, including the right to form independent unions. Stronger labor protections are more attractive to foreign investors, as international companies prefer stable and ethical working environments. Additionally, government contract procurement is more open, meaning that any CPTPP member country can bid on government contracts in other member states. This encourages competition and allows businesses from smaller economies like Vietnam to compete for contracts in other CPTPP countries, expanding their reach beyond Southeast Asia.

Following this introduction, Section II reviews some previous publications examining FTAs of Mexico and Vietnam. Section III provides an overview of Mexico's and Vietnam's recent GDP per capita, life expectancy, and literacy rates. Section IV analyzes the evolution of some key economic and social indicators before and after the adoption of the NAFTA and before and after the adoption of the CPTPP, respectively for Mexico and Vietnam. Section V applies ethical principles to assess the morality of these two FTAs. The last section concludes with summarizing some key findings and recommendations.

II. Literature Review

There is a large amount of literature discussing the impact of NAFTA on Mexico, while the literature assessing the impact of the CPTPP on Vietnam is just emerging. Hieu (2024) and Stoffers (2024) are short reviews of Vietnam's economic development following the adoption of the CPTPP. Thuy, Pham and Stern (2024) assess Vietnam's CPTPP-driven labor reforms, highlighting advancements in union rights alongside persistent enforcement gaps. Chatzky, McBride and Sergie (2000) and Bandara (2024) critique NAFTA's dual impact in Mexico, linking export growth to agricultural displacement and wage stagnation. More specifically, Weisbrot, Lefebvre and Sammut (2014) underscores NAFTA's harm to small-scale farmers, exacerbating migration and inequality. From a more theoretical perspective, the textbook by Krugman, Obstfeld and Melitz (2018) contextualize trade theory by framing Mexico's export specialization following NAFTA. Together, these sources reveal tensions between FTA-driven growth and equitable outcomes, emphasizing the need for ethical policy design.

[2] U.S. Customs and Border Protection (CBP) (2025).
[3] U.S. Customs and Border Protection (CBP) (2025).
[4] Australian Government, Department of Foreign Affairs and Trade (2025).

- Thuy, Pham and Stern (2024) analyze Vietnam's labor law reforms in the context of the CPTPP. Their study revolves around Vietnam's commitment to adopting the ILO's labor standards, particularly Convention No. 87, which ensures the right to form independent trade unions, has been materialized. The authors discuss the challenges and progress in implementing the reforms through case studies, noting that while the legal framework allows for independent unions, the level of enforcement remains suboptimal.
- Hieu (2024) provides a spotlight on how the CPTPP has transformed Vietnam's economic landscape, focusing on three aspects. First, the CPTPP's negative list approach, which provides foreign investors with broad access unless a sector is explicitly listed under the restricted market access category. Hieu refers to the negative list approach as a guiding philosophy and at the heart of the CPTPP. Second, the reduction of taxes and tariffs, where the commitment of reciprocal tariff eliminations and rules of origin are crucial. Third, the CPTPP's commitment to greater openness, especially with regards to foreign investment, cross-border trade in services, and financial services.
- Stoffers (2024) provides a brief reflection of the CPTPP's multifaceted impact on Vietnam's economic landscape at the fifth anniversary of Vietnam's participation of this landmark agreement. Despite a number of mostly external economic challenges, including the slow recovery in the Eurozone, the war in Ukraine, and the Middle East conflict, Vietnam has done very well. Stoffers links the positive development of the Vietnamese economy to the open market economy policy that Vietnam has pursued since the economic reforms in the 1980s. Stoffers also refers to the CPTPP as being the driving force for Vietnam's recent institutional reforms.
- Chatzky, McBride and Sergie (2000) critiques NAFTA's mixed legacy in Mexico, noting that while foreign direct investment (FDI) and exports surged post-1994, rural agricultural sectors suffered due to competition from subsidized U.S. imports. It points out two unfavorable things that come out as unintended results of prioritizing macroeconomic growth: rising income inequality and migration, both arising as ethical problems from NAFTA. The authors discuss how FTAs accentuate regional disparities and stress that complementary policies, such as social safety nets, are needed to ameliorate the adverse effects on equity, which is the gist of the Rawlsian critique of NAFTA.
- Bandara (2024) examines Mexico's export specialization following the adoption of NAFTA. She observes Mexico's shift from diversified exports to a focus on technology and capital-intensive products, a pattern typically seen in developed economies. Bandara (2024) provides insights into how the trade agreement influenced Mexico's export patterns as well as a broader set of implications for economic development.
- Weisbrot, Lefebvre and Sammut (2014) investigate the effects of NAFTA on small scale farmers in Mexico. The report reveals that increased competition from heavily subsidized American firms led to a decline in prices, affecting domestic farmers. An economic pressure which heavily contributed to increased migration from rural areas to urban centers and the United States. The report also emphasizes the urgent need for policies that protect vulnerable sectors in developing countries.
- Krugman, Obstfeld and Melitz (2018) provide the underlying theory for FTAs, focusing on the principle of comparative advantage, which emphasize gains from trade. At the same time, the

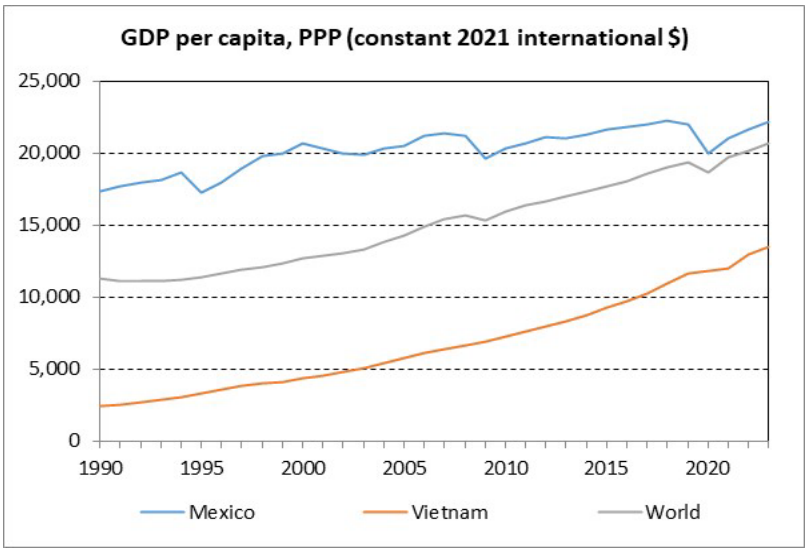
authors argue that FTAs, which serve as the driving force of economic efficiency and growth, might bring short term disruption like job displacement in the most vulnerable sector. Their analysis contextualizes Mexico's integration into the global supply chains under NAFTA. They show how Mexico's specialization in manufacturing exports (e.g., automobiles) can lead to aggregate economic benefits but also imply uneven distributional outcomes.

III. Socioeconomic Background

Mexico, located in North America, had a population of 129.7 million in 2023 (making it the 10th largest in the world), and a Gross Domestic Product (GDP) of US$1.8 trillion in 2023 (the 12th largest in the world). Vietnam, located in Southeast Asia, had a population of 100.4 million in 2023 (making it the 16th largest in the world), and a GDP of US$429.7 billion in 2023 (the 34th largest in the world).[5] The fact that Vietnam lacks so much behind Mexico in terms of GDP is partly due to Vietnam's lower population (129.4 million in Mexico, compared to 100.4 million in Vietnam), but more so due to Vietnam's much lower GDP per capita.

As shown in Figure 1, Mexico's PPP-adjusted GDP per capita (in constant 2021 international prices) stood at $17,375 in 1990. It then grew to $22,143 in 2023, reflecting a modest growth rate with various fluctuations, especially three sharp declines in 1995, 2009, and 2020. On average, Mexico's year-on-year growth rate in PPP-adjusted GDP per capita was 0.79 percent during this period. In contrast, Vietnam's economic growth has been far more dramatic. In 1990, its PPP-adjusted GDP per capita (in constant 2021 international prices) was only $2,468, which increased to $13,492 in 2023, which implies an average year-on-year growth rate of 5.3 percent. Figure 1 also shows that Mexico's GDP per capita increased far less than the world average (which grew at an average of 1.9 percent from 1990 to 2023), while Vietnam's increased far more than the world average.

Figure 1: PPP-adjusted GDP per capita (in constant prices), 1990–2023

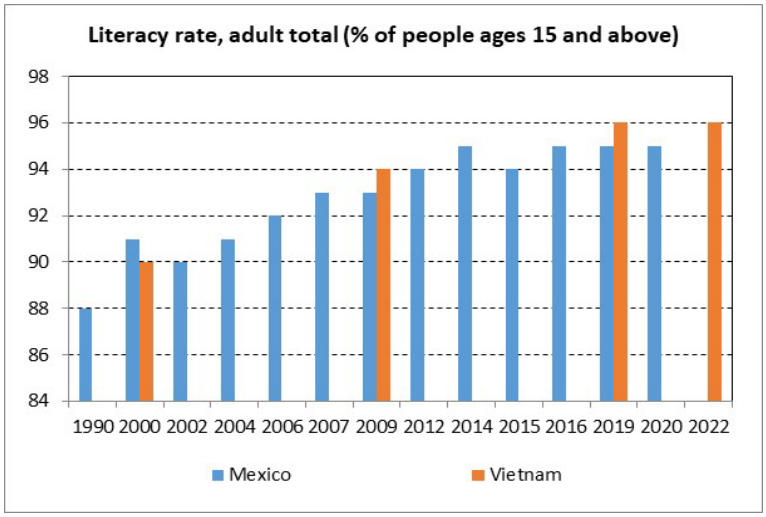


Source: Created by author based on World Bank (2025).

[5] World Bank (2025).

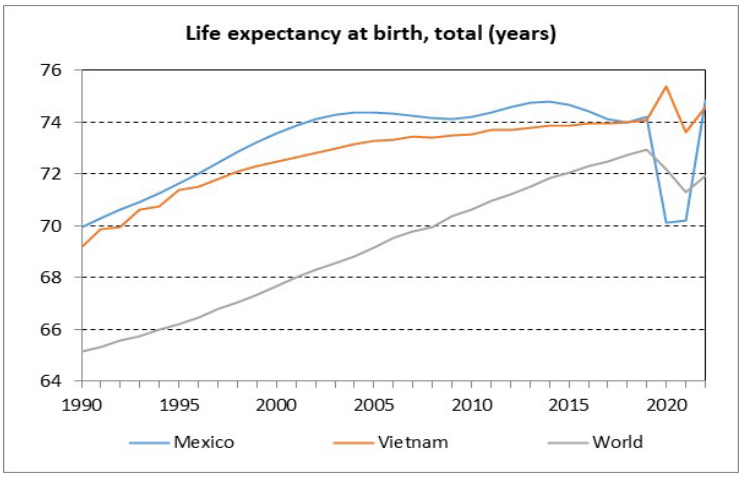
Education is a key driver of long-term economic growth (see for example, Gunter and Wilcher, 2020), as it directly improves the quality of labor and indirectly a variety of other factors. As Figure 2 shows, Mexico's literacy rate increased from 88 percent in 1990 to 95 percent in 2020, which is the last year such data is available. However, Mexico's literacy rate had already reached 95 percent in 2014, after which it mostly stagnated. Even though there is far less data available for Vietnam, it is clear that Vietnam has made more progress in increasing literacy than Mexico. While Vietnam's literacy rate was with 90 percent in 2000 one percentage point below that of Mexico, Vietnam's literacy rate was (with 94 percent) one percentage point higher than Mexico's in 2009. Vietnam then continued to increase its literacy rate to 96 percent in 2019, at which it remained in 2022. Based on World Bank (2025), both countries had consistently higher literacy rates than the world average, which was 74.9 percent in 1990 and increased to 87.2 percent in 2022.

Figure 2: Adult Literacy (percent of people 15 and above), all available years



Source: Created by author based on World Bank (2025).

Figure 3: Life Expectancy at Birth, 1990–2022



Source: Created by author based on World Bank (2025).

As shown in Figure 3, Mexico's average life expectancy was 70.0 years in 1990, and by 2022 it had increased to 74.8 years. Vietnam's average life expectancy was with 69.2 years in 1990 marginally below Mexico, and by 2022, Vietnam had reached 74.6 years, only 0.2 years below Mexico. Both countries' life expectancy suffered from the COVID-19 pandemic, though Mexico's declined much more than Vietnam's, even though it fully recovered in 2022. As was the case for literacy, both countries are consistently exceeding the world average literacy rates.

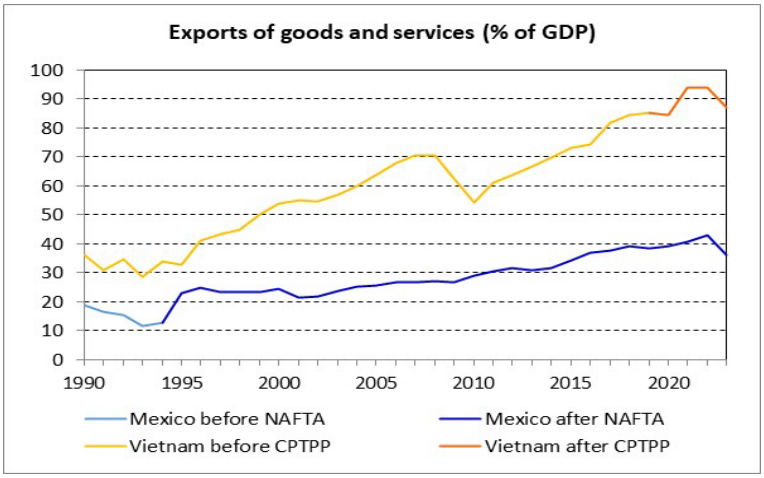
IV. Analysis of Facts

This section is divided into two subsections. Subsection IV.1 examines the evolution of a variety of economic indicators, including the exports to GDP ratio, FDI as percent of GDP, and the two countries' share in world GDP and world exports. Subsection IV.2 examines the evolution of a variety of social indicators, including unemployment, poverty and inequality. There are two critical constraints of this analysis. First of all, there are many other factors beyond FTAs that influence the evolution of these indicators, like the COVID-19 pandemic. Second, given that the timeframe for this article covers 1990 to 2023 (given that 2023 is typically the last year data is available at the time this article was written), we have only four years (1990–1993) before NAFTA came into force in January 1994 to compare Mexico before and after NAFTA, and maximal five years (2019–2023) after the CPTPP came into force in January 2019 to compare Vietnam before and after the CPTPP.

IV.1. Comparison of the Economic Effects of FTAs between Mexico and Vietnam

Figure 4 illustrates exports of goods and services (as a percentage of GDP) for Mexico (before and after NAFTA) and Vietnam (before and after the CPTPP). In the case of Mexico, exports have been on a declining trend before NAFTA but started to increase sharply after the strong devaluation of the Mexican peso, which followed the Mexican peso crisis in December 1994 (some 11 months after NAFTA came into force). Mexico's exports (as percent of GDP) then grew moderately until the COVID-19 pandemic. In the case of Vietnam, exports (as percent of GDP) show an increasing trend until 2019. Though exports (as percent of GDP) still increased from 2018 to 2019, they then declined from 2019 to 2020. Vietnam's exports-to-GDP ratio then grew sharply from 2020 to 2021, then stagnated from 2021 to 2022, and finally dropped from 2022 to 2023.

Figure 4: Exports of Goods and Services (% of GDP)



Source: Created by author based on World Bank (2025).

In 2023, Mexico's top five exports were cars ($64.5 billion), parts and accessories of motor vehicles ($41.1 billion), crude petroleum ($32.2 billion), delivery trucks ($31.6 billion), and computers ($29.5 billion). Vietnam's top five exports were broadcasting equipment ($83.2 billion), integrated circuits ($32.5 billion), office machine parts ($16.8 billion), computers ($15.9 billion), and broadcasting accessories ($12.5 billion). In the same year, Mexico's top five destination countries for its exports were the United States ($456 billion), Canada ($33 billion), China ($15 billion), Germany ($10.7 billion), and Spain ($6.04 billion), while Vietnam's top five destination countries for its exports were the United States ($118 billion), China ($85.7 billion), Japan ($25.1 billion), Hong Kong ($17.1 billion), and Germany ($14.1 billion).[6] To put some of these numbers in perspective: in 2023, Mexico's exports to the United States amount to 25.5 percent of Mexico's GDP, while Vietnam's exports to the United States amount to 27.4 percent of Vietnam's GDP.[7] Clearly, both countries depend heavily on exports and the United States are the most important trading partner for both countries.

Figure 5 shows net inflows of FDI (as a percentage of GDP) for Mexico (before and after NAFTA) and for Vietnam (before and after the CPTPP). Mexico's net inflows of FDI (as percent of GDP) were quite volatile in the few years before NAFTA came into force, increasing from 1990 to 1991, then decreasing from 1991 to 1993, and then increasing again from 1993 to 1994. Looking at the subsequent years, net inflows of FDI (as percent of GDP) continued to be highly volatile, without any clear trend, until the COVID-19 pandemic, when the declines became a bit more permanent. In Vietnam, net inflows of FDI (as percent of GDP) show two long cycles of ups and down between 1996 (which is the first year such data is available for Vietnam) and 2011. Focusing on the time around the CPTPP came into force, net inflows of FDI (as percent of GDP) were relatively stable from 2015 to 2019, after which they show an overall declining trend.

Figure 5: Net Inflows of Foreign Direct Investment (percent of GDP)

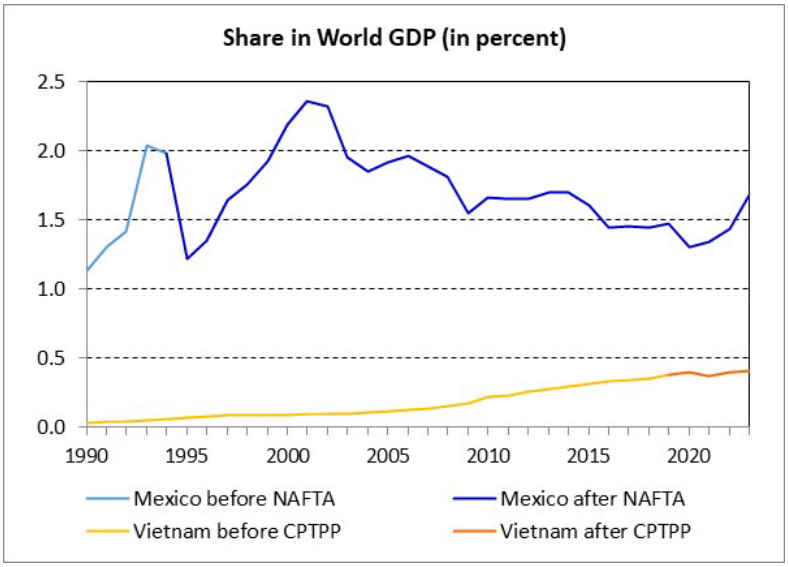
Source: Created by author based on World Bank (2025).

[6] The data in this paragraph is based on the Observatory of Economic Complexity (OEC) (2025a) and (2025b).
[7] Calculated by author based on export data provided by the Observatory of Economic Complexity (2025a) and (2025b) and GDP data provided by the World Bank (2025).

Given that FTAs reduce or eliminate barriers, which makes it easier for businesses to operate across borders, we should have seen a positive trend in both, exports as a percentage of GDP and FDI inflows as a percentage of GDP. While exports and FDI inflows have increased in both countries in nominal US dollar terms, Figures 4 and 5 cast some doubt on the effectiveness of NAFTA and the CPTPP to improve the structure of the two economies. We now examine the two countries' share in world GDP (Figure 6) and the two countries' share in world exports (Figure 7) to examine Mexico's and Vietnam's relative standing in the world economy.

Figure 6 shows that Mexico's share in world GDP has been volatile, especially from 1990 to 2009, reaching a low of 1.2 percent in 1995 and an all-time high of 2.4 percent in 2001. Comparing the period before NAFTA with the period after NAFTA shows no clear trend overall, certainly not the positive trend that might be expected from a successful FTA. Vietnam's share in world GDP is much smaller than Mexico's share but increased slightly but steadily from 1990 (0.03 percent) to 2004 (0.10 percent). It then increases a bit stronger from 2004 to 2020, reaching an all-time high of 0.40 percent in 2020, followed by a relatively sharp decline from 2020 to 2021 (0.37 percent), which is not necessarily the impact of the COVID-19 pandemic as many other countries' GDP also declined during the pandemic. Vietnam's share in world GDP then recovers from 2021 to 2022 (reaching again 0.40 percent in 2022), at which level it remained in 2023. Despite the COVID-19 complication in comparing Vietnam's share in world GDP before and after the CPTPP, we come to the same conclusion as we did for Mexico: we do not see the positive trend that might be expected from a successful FTA.

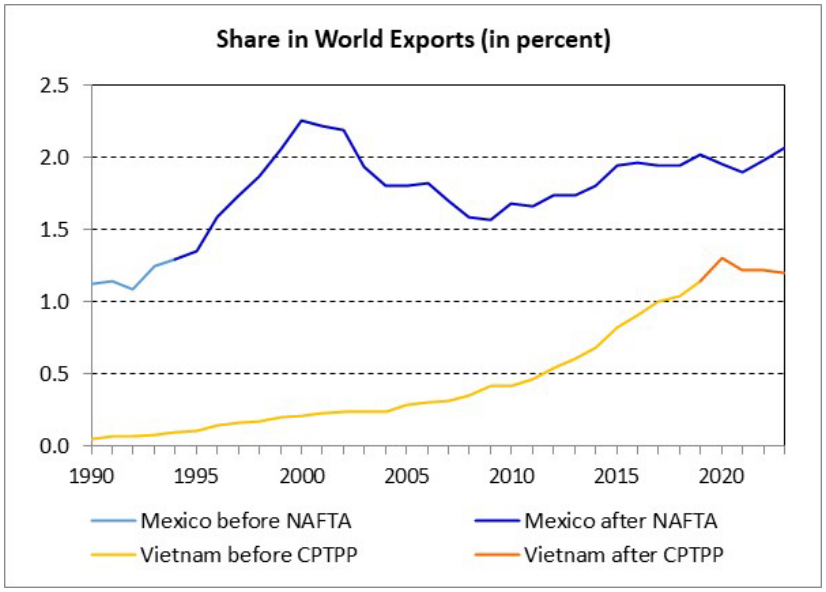
Figure 6: Share of Mexico and Vietnam in World GDP (percent), 1990–2023



Source: Created by author based on World Bank (2025).

Figure 7 shows that Mexico's share in world exports was relatively stable from 1990 to 1993 (hovering around 1.12 percent), after which it increased significantly until reaching an all-time high of 2.26 percent in 2000. Interestingly, the sharp increase started in 1993, a full year before NAFTA came into force. Furthermore, the relatively long decline from 2000 to 2009, with only a partial recovery from 2009 to 2023, cast some doubt on a successful NAFTA for Mexico's export sector.

Figure 7: Share of Mexico and Vietnam in World Exports (percent), 1990–2023



Source: Created by author based on World Bank (2025).

Figure 7 shows an even more disappointing picture of the impact of the CPTPP in Vietnam. Though Vietnam's share in world exports continued to increase from 2019 to 2020 (reaching an all-time high of 1.30 percent in 2020), the subsequent steady decline from 2020 to 2023 do not support the claim of an overall positive impact of the CPTPP on Vietnam's exports relative to the rest of the world's exports, especially if considering the sharp increase of Vietnam's share in world exports in the decade before the CPTPP came into force, which reflects that Vietnam had already engaged in trade liberalization for many years before the CPTPP.

IV.2. Comparison of Some Social Effects of FTAs between Mexico and Vietnam

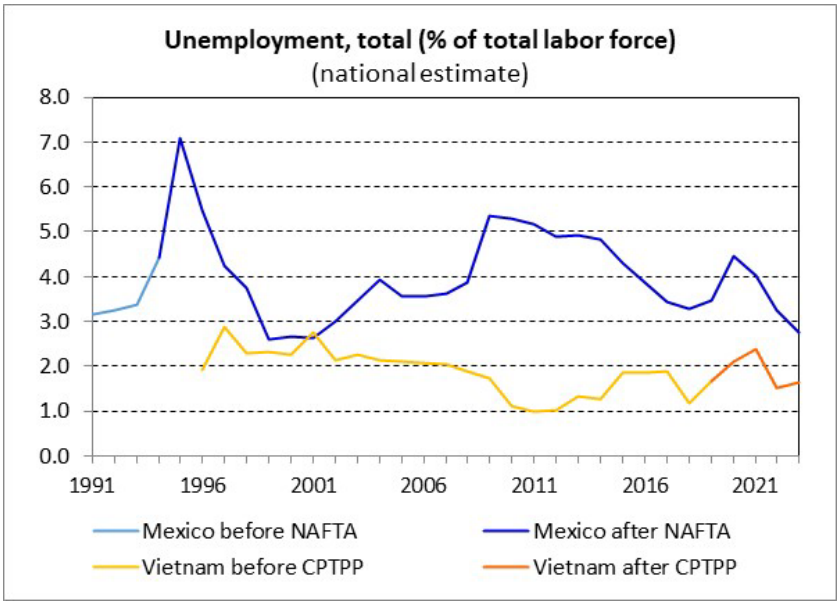
This subsection IV.2 examines the impact of NAFTA and the CPTPP, respectively on Mexico and Vietnam, by charting the evolution of three social variables: unemployment, poverty and inequality.

Figure 8 shows the evolution of total unemployment (in percent of the total labor force) in Mexico and Vietnam based on national estimates. Mexico's unemployment rate increases slightly from 1991 (which is the first year such data is available for Mexico) to 1992, rises more considerably from 1992 to 1993, and then skyrockets to an all-time high of 7.1 percent in 1994. It then falls equally strongly from 1994 to an all-time low of 2.6 percent in 1999. The years of 1999 to 2009 show an overall increasing trend, while the years from 2009 to 2018 show an overall decreasing trend. Mexico's unemployment then rises again from 2018 to 2020, before decreasing once again from 2020 to 2023. Given that there is data for only two years before NAFTA, combined with the overall volatility, make any statement on the impact of NAFTA on Mexico's unemployment questionable. What can be said, however, is that over the longer term, NAFTA does not seem to have had a strong impact of reducing unemployment, except possibly for the first five years (1994–1999).

With exception of one year (2001), Vietnam's unemployment has always been lower than in Mexico. Vietnam's unemployment rate is also less volatile than Mexico's. Despite that, given that unemployment doubles from 1.2 percent in 2018 to 2.4 percent in 2021, with both, the adoption of the

CPTPP and the COVID-19 pandemic falling into that three year-period, make it impossible to come to a solid conclusion about the impact of the CPTPP on Vietnam's unemployment rate. Nevertheless, the fact that the unemployment rate increased from 1999 to 2000, which is immediately after the CPTPP came into force in January 2019, but before the COVID-19 pandemic disrupted trade, does not shed a good light on the CPTPP.

Figure 8: Unemployment (in percent) in Mexico (1991–2023) and Vietnam (1996–2023)

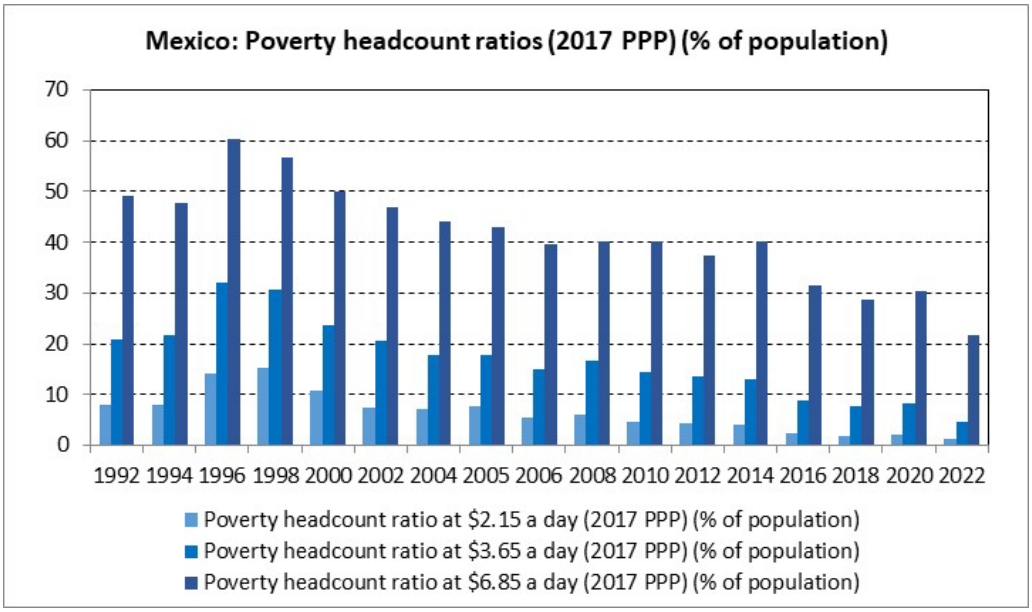


Source: Created by author based on World Bank (2025).

Figures 9 and 10 show the evolution of three poverty headcount ratios, respectively for Mexico and Vietnam: the poverty headcount ratio at $2.15 a day (2017 PPP), the poverty headcount ratio at $3.65 a day (2017 PPP), and the poverty headcount ratio at $6.85 a day (2017 PPP), all as percent of the population. With regards to the impact of NAFTA on Mexico, comparing 1992 (i.e., two years before NAFTA came into force) with 1996 (i.e., two years after NAFTA came into force), Figure 9 seems to indicate that NAFTA increased poverty in Mexico, with the poverty headcount ratio at $2.15 a day increasing from 7.9 percent in 1992 to 14.0 percent in 1996; the poverty headcount ratio at $3.65 a day increasing from 20.9 percent in 1992 to 32.1 percent in 1996, and the poverty headcount ratio at $6.85 a day increasing from 49.0 percent in 1992 to 60.4 percent in 1996. Even though poverty then declines slowly over the next two decades, these sharp increases in all three poverty headcount ratios from 1992 to 1996, with 1996 actually being the all-time high, shed a dark light on NAFTA.

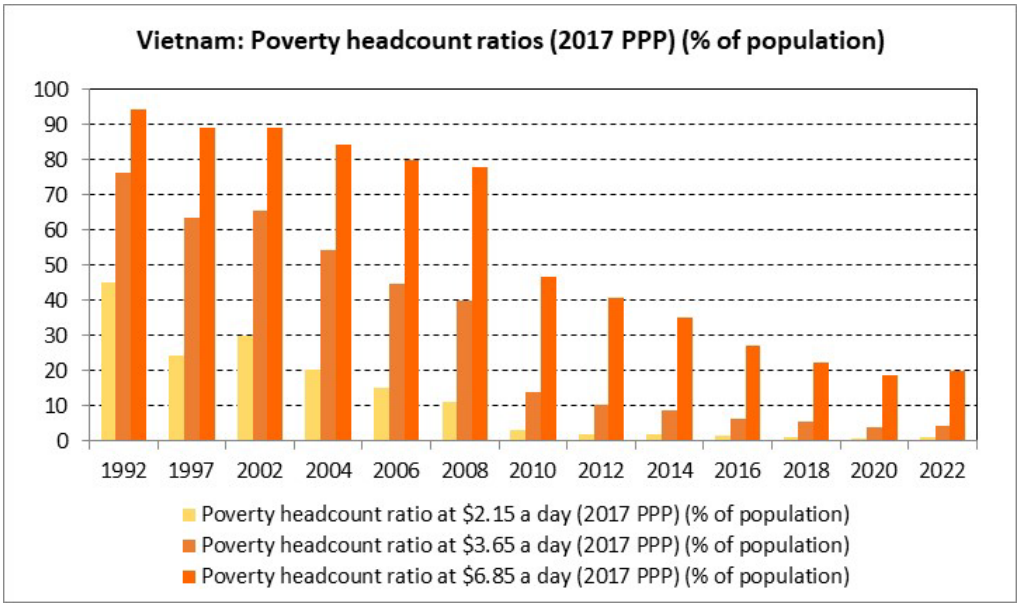
With regards to poverty in Vietnam, shown in Figure 10, the impact of the CPTPP is overall inconclusive. While all three poverty headcount ratios decline from 2018 to 2020, we do not know the level of poverty for the critical year of 2019. Poverty then increases from 2020 to 2022, whereby it is unclear how much of that increase is due to the COVID-19 pandemic.

Figure 9: Mexico's Poverty Headcount Ratios, all available years



Source: Created by author based on World Bank (2025).

Figure 10: Vietnam's Poverty Headcount Ratios, all available years

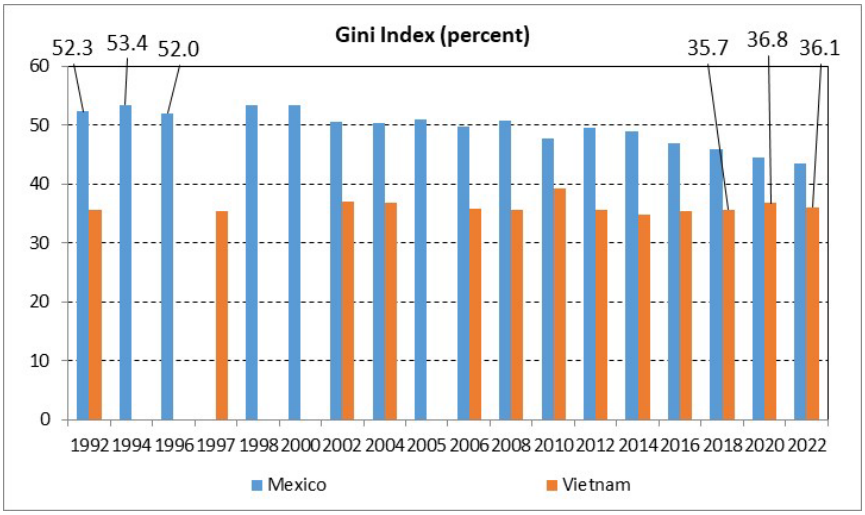


Source: Created by author based on World Bank (2025).

Figure 11 shows the evolution of the Gini in Mexico and Vietnam for all years the Gini index is available in the World Bank (2025). With regards to assessing the impact of NAFTA on Mexico, we can see that the Gini (and hence, inequality) increases from 52.3 percent in 1992 to 53.4 percent in 1994, but then declines to 52.0 percent from 1994 to 1996. With regards to assessing the impact of the

CPTPP on Vietnam, we can see that the Gini increases from 35.7 percent in 2018 to 36.8 percent in 2020, but then declines to 36.1 percent in 2022. Without having data for 1993 and 1995 in the case of Mexico and for 2019 and 2021 for Vietnam, it is impossible to come to a firm conclusion, especially as the Mexican peso crises of December 1994 and COVID-19 complicate the analysis. What can be said is that inequality seems to be on a declining long-term trend, though it is of course unclear how much of that can be contributed to NAFTA.

Figure 11: Inequality in Mexico and Vietnam, all available years



Source: Created by author based on World Bank (2025).

V. Ethical Origins and Existing Ethical Structures

This section is divided into three subsections. The first subsection briefly defines what is considered equitable development. The second subsection explores some of the key historical ethical considerations related to free trade. The third subsection explores the Legal and Institutional frameworks that Vietnam and Mexico have implemented with the signing of their Free Trade Agreements, and the application of the ethical approaches defined in the first section.

V.1. What is Equitable Development?

To adequately investigate the ethical implications of FTAs, we need to first determine what is considered equitable development. Clogston and Koch (2023) define equitable development as the prioritization of policies and programs that ensure that all communities benefit from economic growth, addressing disparities, and empowering marginalized groups to access quality jobs and resources. From this definition, we can identify four key areas to focus on when assessing whether an FTA has actually promoted equitable economic development.

- Access to Opportunities: Equitable economic development focuses on ensuring everyone has the opportunity to participate in and benefit from economic growth.
- Addressing Disparities: It recognizes and addresses existing inequalities, particularly those faced by marginalized communities, to create a more inclusive and just economy.
- Job Creation and Wealth Building: It aims to create quality jobs and opportunities for wealth

building within communities, supporting local and domestic businesses.

- Investing in People: Equitable economic development recognizes that strong communities are built on both robust infrastructure and engaged residents.

V.2. Historical Ethical Considerations in Free Trade

When the ethics of a policy are brought into question, various perspectives arise, each assessing its morality in distinct ways. Classical utilitarianism was first introduced by Jeremy Bentham in the 18th century, and despite the theory having been developed since, its core foundations have remained the same and can be applied to many real-world scenarios. Utilitarianism vouches for the option that maximizes the benefit to society as a whole, disregarding the possible detriment caused to the few. Palmeter (2005, p. 452) contextualizes the utilitarian approach in the world of free trade, stating that "Utilitarianism quickly disposes of any argument for protection. It is undisputed that free trade expands overall welfare."

In fact, utilitarianism is at the forefront of the justification for free trade as explained in the doctrine "On the Principles of Political Economy and Taxation", where economist David Ricardo (1817) first introduced the concept of comparative advantage, where two countries specialize in the production of goods they are most efficient in and then trade with each other. Yet, as pointed out in Palmeter (2005, p. 449), Ricardo makes an implicit assumption of a "smooth transition in each country from the comparatively disadvantaged to the comparatively advantaged industry." In today's high levels of specialization of industry, there can and almost always will be hardship caused by free trade, specifically in the area of job dislocation. Still, utilitarianism justifies it as "[t]heir loss simply would be weighed against the overall gain from removal of the protection, and would rarely, if ever, be enough to justify [trade] protection[ism]."[8]

According to Palmeter (2005), a more modern approach is Rawls (1971)'s theory of distributive justice, which asserts 2 key principles: First, the Liberty Principle: Equal basic rights and freedoms for all; and second, the Difference Principle: Social and economic inequalities must benefit the least advantaged to be justified. The first is quite self-explanatory, as long as you agree on the provisions included under 'equal basic rights' and 'freedoms for all'. The second principle is far more intuitive. Rawls declares that a person in a circumstance that does not 'know his place in society, his class position or social status, nor does anyone know his fortune in the distribution of natural assets or abilities', would know that they would be more likely than not to benefit from free trade, since protectionism would be considered the 'irrational decision':

> *"Persons engaged in a particular industry often find that free trade is contrary to their interests. Perhaps the industry cannot remain prosperous without tariffs or other restrictions. But if free trade is desirable from the point of view of equal citizens or of the least advantaged, it is justifiable even though more specific interests suffer."*[9]

The notion of equal citizens and the least advantaged are central to his theory of justice, which he calls 'fairness'. Therefore, by Rawls's standard, "if free trade is not desirable from the point of view of equal citizens or of the least advantaged, it would not be justifiable."[10] This scenario forces us to consider whether a policy would be desirable from the point of view of the 'least advantaged'.

[8] Palmeter (2005), p.452.
[9] Rawls (1971), pp. 99–100, as quoted in Palmeter (2005), p. 462.
[10] Palmeter (2005), p. 462.

And if they were not, then the policy would cause more harm than good, as "[u]nder Rawlsian justice as fairness, the right has priority over the good. The reverse is the case with utilitarianism, under which utility – the good – has priority over rights." [11]

Notwithstanding, Rawls would not leave those who lose by free trade just like that. While Rawls endorses free trade, he cautions that it does not mean that the harm caused by it should go unchecked. Yet, the arrangements for softening them should be considered from an appropriately general perspective. An example of such an arrangement is a so-called adjustment assistance, which is a program designed to help individuals personally affected by the removal of trade barriers, such as the ones experiencing economic dislocation or job loss. This concept acknowledges that free trade can also impose significant hardships on specific groups. A specific example is the Trade Expansion Act of 1962, which offered adjustment assistance, primarily in the form of retraining and relocation allowances though also via wage insurance and health care provisions, to those injured by the reduction of trade barriers. [12]

Utilitarianism does not necessarily prohibit assistance; although it would largely depend on the calculation of utility. In fact, assistance that would encompass a general social safety net could well be consistent with a version of utilitarianism, as it focuses on the prospect that prosperous workers are effective workers.

V.3. Application of Ethical Frameworks to Free Trade Agreements

As was detailed in the previous section, the Mexican government signed the North Atlantic Free Trade Agreement, with the intended outcomes along the lines of increased trade and economic growth, creation of jobs, encouraging innovation and competitiveness, and establishing legal and regulatory frameworks. However, from Mexico's perspective, many of these benefits have not properly materialized. For example, Bandara (2024, p. 16) articulates how export specialization in Mexico contributed to increased export income only in the short run, as "specializing in these industries did not lead to technological improvement within the Mexican economy, because they did not produce the parts used in these industries locally, but rather imported and assembled them." This means that there were minimal technological spillovers to the rest of the Mexican economy that could have potentially encouraged innovation.

On the topic of labor, Chatzky, McBride and Sergie (2020, p. 6) lament that the agricultural south was severely compromised by NAFTA as it was forced to compete with heavily subsidized U.S. firms. They state:

> *A study led by the Center for Economic and Policy Research (CEPR) economist Mark Weisbrot estimated that "NAFTA put almost two million small-scale Mexican farmers out of work, driving illegal migration to the United States." (...) Many analysts explain these divergent outcomes by pointing to the "two-speed" nature of Mexico's economy, in which NAFTA drove the growth of foreign investment, high-tech manufacturing, and rising wages in the industrial north, while the largely agrarian south remained detached from this new economy.*

Vivanco, González and Harvey (1996) proclaimed that in contrast to the Clinton administration's promises that the free trade union would strongly improve labor conditions, there has not been any

[11] Palmeter (2005), p. 464.
[12] Palmeter (2005), p. 465.

significant change. This is mainly due to the exclusive structure of Mexican institutions, which suppress the formation of independent labor unions in favor of pro-government unions. The report used the example of an independent union of the former Ministry of Fishing, the Sindicato Único de la Secretaría de Pesca (SUTSP), that was systematically undermined by government institutions despite multiple court rulings in its favor. Although a side agreement of NAFTA facilitated the provision of a forum for labor complaints, many of these efforts remain non-binding and largely ineffective in enforcing actual reforms.[13]

Overall, NAFTA terms heavily prioritized protections for investors (typically resourceful U.S.-based firms) rather than meaningful labor standards and worker rights. This imbalance led to deteriorating compensation relative to the United States and Canada, creating a race to the bottom in labor standards, which many U.S. companies exploited. This directly led to a shift of labor to the informal sector or migration to the United States. While the aforementioned side agreements, such as the North American Agreement on Labor Cooperation (NAALC), were largely ineffective in enforcing labor protections due to the lack of enforcement power behind them.

When trying to match the approach of the Mexican government to trade liberalization it is evident that it has followed the utilitarian approach. It focused on maximizing economic gains (like increased exports and foreign investment) over long-term systemic improvements (like improving the enforcement of labor standards and wages in domestic industries). While NAFTA did indeed result in some economic growth for Mexico, it failed to deliver on the broader promises of social advancement and equitable development for the vast majority of Mexicans.

The structure of the agreement heavily tilted in favor of U.S. firms, while leaving many regions and sectors vulnerable. Further, in the long run it has strained relations with the United States, a country with which it has developed a large fiscal reliance, due to illegal migration directly caused by the unfavorable terms of NAFTA. As a result, the utilitarian calculus adopted by the Mexican government overlooked the social costs of maintaining exclusive institutions that prioritize short term economic gain over long-term social benefit, leaving large segments of the population without access to opportunities and equitable development.

In contrast, the CPTPP agreement forced the Vietnam government to revise their labor laws in order to comply with ILO standards, which was a significant shift from its previous exclusive systems and institutions which were similar to Mexico's. After much pressure from the rest of the nations in the agreement, there have been actionable practices to take these measures into effect. The Vietnamese Ministry of Labor, Invalids, and Social Affairs (MOLISA) publishes annual reports on labor inspections, union activity, and compliance with labor laws on their public website, to improve transparency with its citizens and the other members of the trade agreement. In addition, many humanitarian organizations such as the Human Rights Watch and Amnesty International provide qualitative and quantitative data on labor rights violations and progress in Vietnam. This transparency opens the Vietnamese government to geopolitical and socioeconomic backlash if it were not to actually implement policies that improve labor rights conditions.

Thuy, Pham and Stern (2024) investigated the legal protection for workers' bargaining rights in Vietnam post CPTPP, and the new labor law reforms. Through primary research, it examined the level at which workers' rights are upheld. They refer to specific case studies which showcase the improved labor legislation laws in action. In the case of Samsung Electronics Vietnam, workers

[13] Vivanco, González and Harvey (1996).

successfully negotiated for improved working conditions and wages through their trade union. The Collective Bargaining Agreement (CBA) addressed issues like long working hours and inadequate safety measures. In the case of the Pou Chen Group, a strike at the Pou Chen factory led to a renegotiated CBA, granting workers better pay and more breaks. This case showed the role of worker solidarity and media attention in improving labor rights.

While improvements have certainly been made, the enforcement of the new law is still slow and does not cover a large proportion of workers, such as those in rural areas or in the informal sector. Additionally, workers often face many barriers trying to access the new dispute resolution mechanisms due to complex procedures and high legal costs, which often lead to them being discouraged from pursuing their claims. Thuy, Pham and Stern (2024) conclude that while Vietnam has made important strides in addressing the lack of workers' rights through legislative reforms, significant challenges remain in its enforcement, particularly in inaccessible areas. Furthermore, they suggest that further international pressure and cooperation is vital to ensure that workers' rights are effectively upheld.

The policies included in the CPTPP align more closely with that of Rawls' distributive justice while containing the necessary parts of utilitarianism. Its strict labor provisions align with Rawls' Liberty Principle of 'Equal basic rights and freedoms for all', such as the right to organize and negotiate for living conditions and adequate wages. In addition, member nations are required to uphold internationally recognized labor rights, ensuring that economic gains are not solely concentrated among powerful corporations but more equitably distributed. Concurrently, the agreement implements various utilitarian principles as well to maximize the economic benefit of trade liberalization. However, it differs from NAFTA in that it attempts to balance them with protection for vulnerable workers. By mandating transparent reporting mechanisms and enforceable labor laws, the CPTPP establishes a framework that, while imperfect in execution, provides a stronger foundation for long-term labor rights improvements.

VI. Conclusion

Vietnam's rapid economic ascent has been a defining characteristic of the last few decades. Its reliance on manufacturing and foreign investment has driven its high growth rates. Although Mexico benefits from a well-established industrial base and close trade ties with the United States, its growth has been relatively slower. Through strategic investment in education and manufacturing, Vietnam has experienced rapid economic expansion, although it still has a lower overall GDP per capita than Mexico. Vietnam's literacy rate now surpasses Mexico's, emphasizing its recent stronger educational progress. Life expectancy is comparable in both countries and has increased steadily in the last three decades.

The assessment of whether Free Trade Agreements foster equitable development cannot be generalized, as their impact on developing economies is largely determined by the specific terms and conditions of each agreement. Mexico's case study exemplifies an FTA whose formulation was designed solely to maximize short-term profits by sacrificing workers' rights to help giant corporations increase their profits, hoping that it would lead to higher GDP. It attempts to align with utilitarianism but does so poorly offering no significant assistance to the vulnerable populations. This approach fails the principles of distributive justice, as the most disadvantaged populations become even worse off and are deprived of their basic rights, such as the ones to negotiate for livable wages. Mexico is an exemplary case study against this form of policy as it has even failed to see substantial

economic growth, as in the first decade Mexico's GDP per capita grew 1% per year, and since then it has grown about 0.4% per year (World Bank, 2025).

Conversely, Vietnam has implemented Rawlsian-oriented policies, and except from the drastic improvements in labor conditions and wages, it has also significantly higher economic growth relative to Mexico, showcasing the utilitarian idea of prosperous workers equals effective workers (Figure 1). The concept of 'fair trade' faces many challenges, particularly in effective enforcement, even in Vietnam, regulation is still not adequate, possibly due to cost constraints. However, the Vietnam case study indicates the importance of international organizations such as the ILO in cooperating with developing countries to help improve the enforcement of labor standards.

The verdict of this article is that inclusive institutions that promote the progress of labor conditions and wages not only align with moral imperatives but also contribute to long-term sustainable economic growth. Rather than viewing free trade and fair trade as mutually exclusive, policymakers need to consider hybrid models that integrate the benefits of both. This study suggests that future trade agreements can be structured to promote economic growth and social justice, offering a contemporary model for globalization. A model that includes hybrid policies aimed at balancing free market principles with labor regulations, including incentives for corporations that adopt ethical labor practices while maintaining competitive pricing structures. In addition, strengthening international regulatory frameworks can further help enforce ethical labor practices, in order to help developing nations achieve substantial economic growth without compromising human rights.

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