

Activity 8 Why Would Mexico Want to Trade with the United States and Canada?

Directions. Read the *Handy Dandy Guide* and the mystery. Read the clues assigned to your group. Be careful. While all the clues are correct, only some are *useful* in solving the mystery. Decide which clues are most relevant to solving the mystery. Use the clues and one or more of the ideas from the *Handy Dandy Guide* to figure out a solution to the mystery. Write your solution.

Handy Dandy Guide

1. People *choose*.
2. People's choices involve *costs*.
3. People respond to *incentives* in predictable ways.
4. People create *economic systems* that influence individual choices and incentives.
5. People gain when they *trade* voluntarily.
6. People's choices have consequences that lie in the *future*.

The Mystery

The people of Mexico are proud of their heritage, and they dislike outside interference in their affairs. Over the years Mexico has often been in conflict with its prosperous neighbor—the United States. Mexico and the United States have fought a war with each other, have had many border clashes, and have often disagreed about immigration and drug enforcement policies. Moreover, the two nations are economically different. Mexico has a relatively small economy, while the U.S. economy is the world's largest.

Mexico has joined the United States and Canada in agreements aimed at increasing trade among the three countries.

Why would a nation like Mexico, with a proud past and small economy, want to increase trade with the United States—a former enemy with a larger economy?

The Clues

1. Texas established its independence and became the Lone Star State in 1836.
2. Vegetable farmers in the United States do not welcome increased trade with Mexico.
3. Bankers in Mexico do not welcome increased trade with the United States.
4. The North American Free Trade Agreement (NAFTA) reduced many trade barriers among the United States, Canada, and Mexico.
5. Increased trade with the United States and Canada has increased the number of jobs in Mexico and helped to keep prices lower for consumers.
6. While U.S. trade increased with Mexico in the 1990s, U.S. unemployment rates hit 30-year lows.
7. Francisco (Pancho) Villa often clashed with the United States military.
8. The International Monetary Fund (IMF) often provides loans to nations like Mexico to assist with economic development.

Record your solution and explain it briefly here:
