

The incorporation of a comprehensive dispute resolution mechanism makes NAFTA unique among free trade agreements. Instead of referring disputes among signatories to host countries' domestic courts or administrative tribunals, NAFTA's dispute settlement procedures ensure signatories' rights to go to international arbitration for any violation of the agreement's protections. In case of a dispute between a foreign investor and the host country, the participants can seek resolution through consultation and negotiation, which is the beginning procedure of the whole dispute resolution process. Should consultation fail to settle the dispute within thirty to forty-five days after initiation, the concerned parties may request a meeting of the Trade Commission, which relies on technical advisors and experts. If the dispute still cannot be resolved by the Trade Commission within thirty days, an arbitration panel with balanced panelists from both sides of the concerned parties will be established to resolve the dispute.

Not only do NAFTA's dispute resolution procedures provide fast settlement (the whole process takes only eight months from consultation to final panel report), they also contain effective enforcement rules. The winning party can demand compensation from the losing party. If no acceptable compensation is rendered, the winning party can retaliate in any sector covered by NAFTA. What is more, NAFTA has separate procedures for reviewing antidumping and countervailing duty matters. Binational review panels serve as an alternative to judicial review of antidumping and countervailing determinations.

SECTORAL STUDY

By and large, NAFTA has created a new environment for North American MNCs to invest. Its trade liberalization and protectionist provisions affect different economic sectors differently. In