

off the smaller Canadian market from larger US industrial interests and develop a distinct socialized culture. Instead US firms built 'branch' plants to serve the small Canadian market and social costs escalated necessitating the expansion of the economic and tax base. A key example of the branch plant economy and sectoral driver of NAFTA was auto manufacturing. A large percentage of Canadian exports [about 21 %] to the USA are comprised of automobiles, auto parts and supplies, generated from US owned branch plants in Canada. The auto industry was a strong financial and political supporter of NAFTA viewing the agreement as a method of limiting non-North American produced autos and auto's parts from the large US market.

Mexican national policy also failed. Inefficiencies, high debt, corruption, and low productivity made the maintenance of such a regime impossible. By 1994 70 % of Mexico's trade was already with the USA and over 60% of its FDI was flowing in from the US. NAFTA was seen as a furtherance of the economic and political reforms begun in Mexico during the 1980s and a method to guarantee its increasing trade and FDI relationship with the US as well as providing an economic stimulus to reduce its debt. Market oriented reforms in Mexico had been stimulated by the LDC debt crises in the early 1980s and the realisation that an import substitution strategy had failed. Mexico, like Canada, needed a guarantee dispute resolution mechanism that would forbid future American protectionism and was also like Canada fearful of an enlarged EU. Somewhat ironically, NAFTA appears to have increased Mexico's strategic economic importance to the EU, with the EU and Mexico just completing a free trade agreement.

NAFTA integration has thus centred on trade in goods, services and capital especially in sectors that were already cross national in their orientation. Therefore the structure of NAFTA is not designed with the intention of managing or controlling through non-national institutions labour, environmental or social welfare conditions. Though some NAFTA groups monitor such activity, NAFTA leaves the political, social and cultural power in the hands of national government

authorities. This is of course in direct contrast to the EU system. North American regionalism has tried to balance the advantages of regional economic integration with a more distributed system of political decision-making power. Such a formation may be attractive to other nation states, which do not envision the regional creation of a quasi-federal polity.

NAFTA'S POLITICAL STRUCTURE

NAFTA is not a federalist vision of uniting sovereign nations. Each of the three NAFTA nations maintains political decision-making authority within constraints defined by the agreement. The central NAFTA authority named the Free Trade Commission (FTC) does contain some of the powers traditionally conferred upon trade ministers by their governments, but the FTC cannot unilaterally usurp national prerogatives. The FTC whilst protecting and ensuring NAFTA compliance has no constitutional or legally binding powers to force compliance, other than imposing fines and sanctions upon wayward members. It is different than the European Court of Justice (ECJ), which deems the EC Treaty as a constitutional charter, with the ECJ as the guardian of that constitution.⁴⁴¹ The NAFTA does not purport to serve as a constitution in the sense of altering the distribution of powers among its members and interpreting a binding Federal charter upon its members.

National sensitivities are not offended in the NAFTA since political institutions are not empowered to enact secondary legislation except in very limited circumstances prescribed by the agreement (such as in adopting rules of procedure for NAFTA dispute settlement panels). In general most disputes are resolved through the dispute settlement mechanism. This aspect was central to Canadian and Mexican accession to the accord to assure their firms' access to the US market. In order not to infringe upon sovereignty the general dispute settlement mechanism of the NAFTA is an arbitral procedure that refers determinations to national governments for political resolution. The NAFTA's anti-dumping and countervailing duty dispute