

Canadian firms have been able to expand sales in sectors that were previously highly restricted, such as the automotive, financial services, trucking, energy and fisheries sectors. Canadian exports have also become steadily more diversified, with value-added manufactured products now accounting for more than 35 per cent of total exports.

Ongoing market liberalization efforts in Mexico, particularly in the energy sector, are creating additional opportunities for Canadian exporters. As the Mexican economy returns to growth and matures, the demand for products and services will grow. Canada is well placed to supply this demand.

## **Investment**

The NAFTA has enhanced Canada's attractiveness to foreign investors. The Agreement's investment provisions ensure greater certainty and stability for investment decisions within the region by guaranteeing fair, transparent and non-discriminatory treatment of investors and their investments throughout the free trade area. Increased productivity, through more competition and better priced inputs, has also prompted greater capital investment in Canada. Total foreign direct investment in Canada increased by 10 per cent to \$168 billion in 1995, with important increases in areas such as financial services, transportation equipment and autos, chemicals, energy, communications and food and beverages.

The United States remains the largest foreign investor in Canada. Direct investment from the United States increased by 11 per cent to \$113 billion in 1995, representing 67 per cent of total foreign direct investment in Canada.

The NAFTA has also provided greater security for Canadian investors and their investments abroad. The United States remained the largest destination for Canadian direct investment in 1995, with a total of \$76.5 billion invested. Total Canadian investment in Mexico more than doubled between 1993 and 1994 to \$1 billion, and increased to \$1.13 billion in 1995. These investments abroad provide important opportunities for Canadian companies to expand their exports to these markets.

## **Dispute Settlement**

The vast majority of trade in North America now takes place in accordance with the clear and well-established rules of the NAFTA and the World Trade Organization (WTO). Nonetheless, disputes are bound to emerge in such a large trading area. In such cases, the NAFTA directs the governments concerned to seek to resolve their differences amicably, through the NAFTA's committees and working groups or other consultations. If no mutually acceptable solution is found, the NAFTA provides for an expeditious and effective panel procedure.

Building on the Canada-U.S. FTA, the NAFTA also includes, in Chapter 19, a unique system of binational panel review of domestic decisions regarding anti-dumping and countervailing duty matters, which replaces judicial review in each of the three countries.