

in the treaty and the liberalization of some of its subsectors, marks a starting-off point for further liberalization.

The several tit for tat reservations put forward in the annexes of the NAFTA will also have commercial repercussions. Tit for tat reservations state that restrictions upon foreign investment in another party's territory will be met with mirrored treatment for the offending party's investors in the home country's sectors. Retaliation in this manner will not only have equivalent effects but also will lead to substantially greater commercial effects. If domestic discriminatory measures inhibit the free flow of foreign investment to a particular sector of the Canadian economy, the addition of a tit for tat reservation by the U.S. against the country holding this measure will reinforce the original disincentive to invest in the economy in question.

Liberalization of the North American investment environment is also affected by the NAFTA's investment review process. The investment review procedures and outcomes of these are excluded from review under NAFTA dispute-settlement process. Canada has protected its cultural industries (e.g., publishing, television, and cinema). By applying special criteria to its investment review process in a few limited sectors. Otherwise, only acquisitions worth more than \$150 million can be reviewed. The United States, in contrast, does not list any investment review procedures in its reservations, instead relying on using national security criteria which effectively does the same thing. The positive contributions of NAFTA can be seen as the greater transparency in the rules governing the treatment of foreign investment in North America.

The magnitude of the international presence in Canada reflects one of the most open policies in the world toward foreign investment. There has been a rebound on the flow of FDI from the U.S. since the FTA was signed in 1989 (Nymark and Verdun 1994: 124). Moreover, Canada's specific