

area is transportation. Foreign interests are excluded from all forms of air transport along with heavy restrictions on foreign interests of cabotage and heavy restriction upon foreign involvement in the maritime sector. A tit for tat reservation is designed to give the Canadian government the right to treat U.S. investors in Canada water transport as unfairly as Canadian investors are treated in this sector are treated in the United States. The inclusion of this reservation in the NAFTA may, however, be seen as a positive step forward in trade liberalization as transportation has long been one of the most restricted sectors in North America. The same principle holds for U.S. - Mexico and Canada - Mexico. Under NAFTA, U.S. express delivery companies - like United Parcel Service - were accorded national treatment and the right to use large-size vehicles to move packages. To protect domestic carriers, however, the Mexican government has simply ignored the American delivery companies' requests for permits to use large trucks, leaving Americans at a severe competitive disadvantage. Consequently, American express package delivery companies are forced to move goods by caravans of small-package vans or contract out to Mexican competitors with permits. The first-ever U.S. dispute resolution with Mexico under the trade agreement was over this transportation issue in 1995. Unfortunately, little progress has been made. Mexico's recalcitrance on this issue was met by American ban on Mexican trucks in U.S. interior under the disguise of safety issues.

Problems also remain in Canada with respect to grain transportation. Given the distances involved, the railways seem well-positioned to facilitate their traffic between Canada and Mexico. This is particularly in the potential for rail movements of grain from western Canada to Mexico. The enthusiasm for north/south rail connections is tempered by longstanding problems that have hampered rail transport to Mexico. The interlining U.S. and Canadian rail carriers must deal with a state-owned, antiquated Mexican railway monopoly. Although this sector remains highly restricted, its inclusion