Net Flow of FDI : It represents the difference between gross inflows and outflows of FDI.

Stock of FDI : It represents the *net* book value of long term capital owned by MNEs in businesses in the host country.

Home Country : The country of the investor or investing firm is termed the home country.

Host country : The country where the assets are acquired or FDI flows in is called the host country.

Parent Firm : The investor firm is known as the parent firm.

Affiliate or Subsidiary : The asset in the host country is called the affiliate.

Multinational Enterprise (MNE) : A multinational enterprise is an organization that engages in the production and distribution of goods and services in two or more nations (Rugman ,1990; Graham & Krugman in Froot, 1993). FDI is, in essence, the creation or expansion of firms that operate across national boundaries *(Graham & Krugman in Froot,1993)*. Direct investment is an integral part of large firms' overall strategy for global production and sales. These firms are the multinational enterprises which serve as the largest sources of FDI and foremost agents of FDI growth in the global economy (McCulloch in Froot, 1993).

(iv) The NAFTA provides for minimum standards of treatment for foreign investors and investments.

(v) The NAFTA provides for full and fair compensation for expropriated investments.

The primary objectives of numbers (iii) and (iv) are to protect Canadian and US investments in Mexico Rugman, 1994).

(c) Target Grandfathering and Negative Lists (Annex 1 and 2 of the NAFTA): The NAFTA replaces the FTA's grandfathering of all existing legislations affecting investments with what has been termed as *target grandfathering* with a series of negative lists. The negative list is in effect a reservation list of all measures and legislations that do not conform with the NAFTA provisions that each signatory party chooses to retain.