

The opening of previously highly restricted areas of the European economy may also increase the exposure of many Canadian companies' EC operations to the Community's rules on competition. Arrangements that might have been acceptable in markets that were previously highly restricted (e.g. territorial restrictions relating to trade between the Member States) may be subject to stricter competition policy treatment as the remaining barriers to intra-EC competition are lowered. The EC competition policy treatment of many arrangements may differ from Canada's. For example, the EC competition rules on territorial restraints tend to be much stricter than Canada's due to the fundamental EEC Treaty goal of promoting integration of the Member States' markets.¹⁰⁸

3.2 Public Policy Implications

The efforts being made to open previously highly restricted areas of the European economy raise a number of issues for Canadian public policy. As progress toward the completion of the internal EC market continues, it will be increasingly important to ensure that government intervention in the Canadian marketplace does not impede the competitiveness of Canadian businesses in world markets. The measures that are being put in place in the EC, even when they do not create a more liberal regulatory regime within the Community than currently exists in Canada, are particularly important to consider since they pertain to a region encompassing 340 million people. These measures, therefore, may be capable of promoting high levels of competition and efficiency in areas where the Canadian economy alone cannot, due to our relatively small and highly dispersed markets.

Against this background, the use of Canadian government policies, in areas such as public procurement, telecommunications and financial services, that create undue inter-provincial or other barriers to competition within Canada, or unnecessarily shelter Canadian companies from external competition, are likely to pose an even greater threat to Canadian international competitiveness. Canadian companies that develop in small protected domestic markets will be less likely to develop the capability to compete in international markets that include more efficient EC competitors. Rather, the small size of the Canadian economy will