

significant numbers of branch plants in Canada. Hence, world product mandate strategies are unlikely to yield permanent solutions to problems arising from branch plants made redundant by a bilateral Canada-United States free trade area.

(b) Sectoral or functional free-trade agreements

Sectoral free-trade agreements are unlikely to prompt adoption of world product mandate strategies for Canadian subsidiaries. The knitting mills, clothing, leather products, and tobacco products sectors that require industrial renewal are unlikely candidates for sectoral free trade agreements. Also, required adoptions of world product mandate strategies would be exceptionally difficult to incorporate in a sectoral agreement. Production responsibilities encompassing product mandates enforced by an intergovernmental agreement would not be welcomed by MNEs.

Sectoral free-trade proposals originating from Canada have given steel, urban mass transit equipment and traded computer services priority status. The basis for their priority status is incompatible with world product mandates for Canadian subsidiaries. Thus, their prioritization on the basis of both competitive export potential and needs for large scale production runs means that they are potential producers for world markets regardless of specific objectives in the firm's strategic plans. In addition, Canadian foreign direct investment in the United States in the priority sectors is probably insufficient to motivate managers of the American subsidiaries to actively seek world product mandates.