even likely) create long term-market power. Most international product markets are, in general, too dynamic to let solid market entry barriers remain in the way of keen rivals.

The upshot is that, in the dynamic environment of rivalry among strong oligopolists in international markets, vertical restraints are not likely to be efficiency reducing for long, provided a small number of manufacturers do not come to dominate the global market place, tying up retailers as their vassals.

The Retailers

The retail margin that the dealer appropriates, on account of vertical restraints, often turns out to be a necessary instrument for getting him to provide pre- and after-sale services to customers. In resource and commodity markets, the role of such promotional activities is usually not crucial.[93] If Canadian farmers want to sell wheat in Asia, they do not have to motivate a local retailer there to advertise in glossy magazines or on TV. However, for knowledge intensive and complex goods or even for processed food products aimed at the middle to high range of a market, product and brand name promotion is indispensable. For example, a foreign manufacturer wanting to enter a busy Japanese market will have to make its presence felt despite the density of other competing products in that market. In addition to promoting the product through the print, audio and video media, in-store promotion by well-trained sales persons will usually be necessary.

To enter a foreign market that is characterized by existing long-term manufacturer-retailer relationships (e.g., the Japanese market), a company should have the option to offer a retail margin inducement to build its distribution network. In a society where knowledge intensive products dominate the market, the service sector is ever increasing in importance. A successful penetration of foreign markets will have to be consolidated by quality after-sale service. Some vertical restraints may be necessary to launch and sustain sales in domestic and foreign markets.

To give another example, if RPM is *per se* illegal in the international marketplace, a foreign manufacturer may find it difficult to recruit existing retailers. The local retailers would be used to dealing with local manufacturers. They may even have long-established business relationships. The foreign company may be daunted by the sunk (or irrecoverable)

[93] Although promotional activities may be helpful in encouraging customers to associate a commodity with high quality: for example, the marketing of "Canadian" bacon (back bacon) and Canadian wheat as premium quality products in the U.S. market.