

domestic firms in the importing market and the special life-cycle characteristics of high technology goods must come under greater scrutiny and be taken into fuller account when investigating the alleged injurious impact of imports. As in subsidy/countervail actions, a tighter definition of "domestic industry" would also be useful.

Convergence: A Two-Edged Sword?

Some observers perceive a need for greater international convergence or harmonization of competition policy regimes to keep pace with the internationalization of markets. The central concern in this regard is potential abuses of market power by transnational enterprises that have decentralized the production process (through intra-firm trading across borders) and gained leverage through greater international acceptance of intellectual property rights and their enforcement, and through increased vertical integration with suppliers in order to meet the requirements of successful just-in-time manufacturing. In this view, TNEs could manipulate transfer prices, enter into cross-border alliances, and pursue market segmentation strategies that reduce competition to the detriment of overall economic welfare. Policy convergence among industrialized countries could also usefully encourage a similar level of commitment among developing countries and the emerging market economies of eastern Europe to combat restrictive business practices. This, in turn, could help to prevent TNEs from avoiding control by engaging in cross-border mergers that emphasize location in less stringent merger environments, with resulting distortions in trade and investment flows.

At first blush, greater convergence and international cooperation in competition policy appears natural and praiseworthy. Yet the pursuit of this objective in a multilateral or even a regional context as part of a broader trade negotiation begs a very important question. In practice, negotiations are not a neutral technical exercise so much as they are a process driven by specific national interests reflecting different economic structures. A comprehensive negotiation would create pressures for Canada to harmonize its approach to competition in ways that may not adequately reflect other Canadian economic interests. Care is required.

Given the historic weakness of the private sector's research and development effort in Canada and the relatively small size of our manufacturing firms, alliance building domestically and internationally by Canadian firms is an important component for increasing our competitiveness and for ensuring a healthy investment climate. Although little used by the private sector to date, Canada's Competition Act permits specialization agreements, export consortia, and research and development joint