

For Canada, the greatest potential for friction will arise, in the first instance, with the United States, because of the implementation of the FTA and that country's complex merger control enforcement process, including private suits (injunctive and treble damages) and suits by State Attorneys General; extraterritorial application of domestic law; and discriminatory provisions regarding production joint ventures. Moreover, in past merger cases, U.S. statutes have, on occasion, been interpreted liberally enough to protect U.S. exporters and not just competition, an interpretation that shades into a protectionist policy of supporting national winners. Lower U.S. prenotification thresholds and less generous safehavens could also create additional compliance costs and uncertainty for Canadian firms.

Convergence towards pure competition-based, non-discriminatory tests and a common merger analysis framework (e.g., defining common approaches to issues of market definition, relevant factors, and efficiencies) could eliminate substantive differences in merger tests and reduce - but not eliminate - uncertainty and excessive compliance costs which deter pro-competitive or competitively neutral mergers. Convergence inevitably raises issues of "standards", however, and the supposed superiority of U.S. standards over those of other countries. Canada could be subject to U.S. pressures concerning the transparency of its merger control process as well as access to the courts for private parties. Safehavens could become an issue as well, although Canada is armed with a strong argument.

The superiority of U.S. over Canadian "standards" has yet to be proven. Canada's merger control strengths, which it should preserve, include:

- i) a rapid and relatively efficient process managed by a single jurisdiction which avoids unnecessary litigation; and
- ii) recognition by law of the dynamic nature of competition and of the impact of trade liberalization on competition.

Beyond convergence lies the issue of cooperation. The qualitative and uncertain nature of merger analysis implies that the possibility of conflicting decisions will always be present, even after convergence. Cooperation is required to resolve issues related to the restructuring of mergers, competing contested reviews before the courts, and the extraterritorial application of domestic law. Options include models of shared sovereignty, dispute settlement mechanisms, or a common merger control institution for the free trade area.

Further analysis relating Canada's merger control interests to its interests in other areas of the trade and competition policy interface (e.g., treatment of cartels, anti-dumping replacement, differences in the treatment of dominant monopoly