accorded some numerical share of the domestic (regulated) market. A major thrust of this Paper is that vertical business arrangements should develop among firms as a natural process as determined in a competitive marketplace. If the power of a foreign government is used to dictate that domestic firms have to do their distribution business with specific foreign corporations, the process of deregulation is pushed back and competitive markets recede further on the horizon. This point is particularly relevant in light of the on-going bilateral discussions between the U.S. and Japan, including in the area of deregulation and the Japanese distribution system.

Moreover, suggesting that all countries take an exemption-free, rule of reason legal approach to both price and non-price vertical restraints requires further thinking in a number of important directions. These include:

- How to develop a common set of rules or guidelines based on international consensus by which the rule of reason approach will be implemented. Several guidelines are tentatively identified in section 6 to encourage further discussion.

- The role of formal enforcement cooperation agreements based on positive comity principles.

With regard to the latter point, it would be useful to explore whether a Quadrilateral (Canada, the U.S., the EU and Japan) positive comity agreement might be negotiable, in part to encourage greater transparency in Japanese enforcement practices.

Finally, international guidelines would ultimately require monitoring and dispute settlement mechanisms of some sort. A few observers have pointed to the creation of a new international competition tribunal, although this may seem exceedingly ambitious at this time. In any event, the more appropriate fora might be the newly established World Trade Organization (WTO) and the North American Free Trade Agreement (NAFTA) which will likely begin to address the competition and trade policy connection (including the prospects for some common standards) over the next several years.

Another, perhaps more interim option, might be to develop, among a limited set of countries (in the Quadrilateral context? in NAFTA?), a NAFTA-like side agreement dispute settlement mechanism that would focus on the enforcement of domestic competition standards (not the harmonization or convergence thereof). The dispute settlement mechanism could be triggered if there were an alleged "persistent pattern of failure to effectively enforce" a country's own law.