

for corporate rationalizing strategies. Since these barriers originate from transitory labour market adjustments, rationalization strategies could ease the sectoral re-allocation of labour. Functional free-trade agreements are thus complementary with rationalization strategies. Functional free trade would be most appropriate for rationalization if combined with a bilateral agreement establishing principles and procedures for removing non-tariff barriers.

World product mandate strategies in response to reduced trade barriers

Corporate MNE strategies in response to bilateral free-trade could encompass world product mandates for their Canadian branch plants. This strategy assigns the branch plant "total responsibility for particular products or operations within the multinational ... (including) responsibility for all aspects of research and development including conceptual or basic research; responsibility for manufacturing; and direct responsibility for international marketing."¹⁴ World product mandating is thus an enriched variant of the rationalization strategy. The enrichment relates to research, development and marketing. Exhibit II summarizes the basic differences between corporate MNE strategies for a protected branch plant, a rationalized subsidiary operation and a subsidiary operation with a world product mandate.