

- In Cornwall, Ontario, employees of **Marimac**, a drapery manufacturer, are attempting a takeover prior to the slated February, 1990, closure.
- The management of **Ricwil Limited**, an insulated pipe manufacturer in St. Thomas, Ontario has been negotiating with head office in Ohio to create a new and independent Canadian company which would then re-open the plant.

5.1 HARMONIZATION & SOVEREIGNTY

In response to the pressures of global restructuring and the growing interdependence of national economies, world leaders continuously in this report, some countries have begun to recognize the necessity of undertaking co-operative initiatives as the best way to respond to the fact of interdependence. While classical trade theory suggests that comparative advantage will dictate what gets made where, and what gets traded as a result, and that varied factor endowments result in varied industrial structures and trade, today governments also play a major role in this process.

Many government policies can effect the competitive capacities of companies seeking to do business. For example, laws dictating high minimum wages in one location may move production of a good requiring low-skill labour to another location, while low levels of education and skills training will push high-technology or research related jobs to areas with a better educated workforce. Differences in investment and taxation policies, regulation of health and safety, and environmental protection rules also contribute new complexity to locational decisions by corporations seeking the maximum return for their efforts.

Whether or not a country is in a free trade relationship with some or all of its trading partners, all countries for which trade is important face pressures to harmonize, or to equalize the effects, of policies that have an important consequence for the business environment. Entering into a free trade agreement will only increase these pressures, particularly in areas of the economy that lack natural economic advantage such as abundant natural resources or energy supply, or which face high transport costs. Increasing market size brings increased sales opportunities, but at the same time increases competitive pressures.

As the range of policy environments that business can choose among widens, pressures for harmonization of government policies will increase. These pressures can be met (a) by moving towards the adoption of international market-based standards whose lower common denominator tendencies often do violence to the social goals of governments; (b) through the negotiation of co-operative agreements; or (c) by resorting to protectionism to shield all or part of a national market from international competition. Of course, the protectionist option is eliminated for those sectors of an economy encompassed within an agreement for a free trade area.