

nature of the products and services exchanged will be continually modified. This is increasing the sophistication and complexity of the tasks faced by the TCS, requiring ongoing market intelligence rather than periodic factual material and occasional introductions.

FACILITATING NEW TYPES OF BUSINESS ALLIANCES

In the 1970s and 1980s, Canadians were frequently exposed to the view that foreign investment in Canada could be undesirable. Many authors referred to the foreign-owned Canadian subsidiary as a "truncated" branch plant. Management responsibilities were retained in the foreign head office, together with research and development and perhaps marketing. The Canadian plant's product mix mirrored that of the parent, and it offered jobs of a relatively low-skill and low-pay nature. Many such businesses extracted natural resources and shipped products that involved relatively low value-added activities, with relatively small benefits for Canadians. From this perspective, the foreign-owned Canadian subsidiary could even be described as exploiting Canada. In the past, other nations have shared this negative view of foreign investment.

The concepts of modern competitiveness emphasize a new and valuable role that foreign investors can play in strengthening Canadian business. An essential Canadian objective is access to a world-wide marketing network. Since a successful network often has to involve face-to-face communication concerning product development and new customer services, the Canadian small business may find the transition to international competitiveness simply too difficult on its own. Entry into strategic alliances with foreign enterprises may be a solution. With such alliances, foreign ownership may make a positive contribution to international competitiveness.

The need for international alliances rests also upon the persistence of non-tariff barriers in foreign markets. For certain sectors, foreign legislation may involve an explicit preference for domestic production, and this can prevent Canadian sales to government and government agencies. For example, the U.S. Surface Transportation Act requires U.S. government agencies to give preference to U.S. suppliers of transportation equipment. However, the concept of domestic preferences extends far beyond explicit legislation. Canadian firms can encounter informal domestic preferences in sales to foreign governments and their agencies. These are very difficult to pinpoint since they may involve the modification of product or service specifications in unique bidding packages that prevent a precise comparison between two bids. In the non-governmental sector of the United States, there also appears to be a strong "Buy American" sentiment. Here again, the small firm may find advantages in a strategic alliance with a foreign company, particularly one that has a location in the U.S., so that it can present itself as being American. For the TCS, this involves an expansion from trade assistance to investment assistance, requiring new skills and knowledge on the part of the TCS.

The GATT, the FTA and NAFTA are commonly perceived as trade agreements, and it is true that the changes discussed above are being intensified by the reduction of trade