

United States over the period is accounted for by the reduction in Canadian tariffs.³¹ This confirms the positive relation between bilateral tariff liberalisation in a sector and increased U.S. imports in 16 out of 18 product categories examined by Daniel Schwanen.³²

Significantly, the greatest inroads into Canadian markets have been made by U.S.-based industries with previously below average market share in Canada, indicating that "new" competition has been brought to the Canadian market.³³ One must consider, nevertheless, that conclusions about individual markets cannot be made, a priori, by examining broad industrial sectors.

The benefits of import competition should also extend to other aspects of competition, such as product variety, because available evidence (e.g., cross-border shopping) indicates that product variety is greater in the United States.

Combined with the rationalisation of Canadian industry³⁴, the above indicates a growing integration of the Canada-U.S. economy. This view is reinforced by anecdotal evidence.³⁵

This gradual expansion of the Canadian market into a Canada-US market should also help to alleviate the traditional problem of Canadian plants being unable to take full advantage of economies of scale and, paradoxically, could lessen the relevance of one of the arguments in support of the efficiency defence in the Competition Act.

³¹ Statistics Canada, op cit, supra, note 28, p. 19.

³² Daniel Schwanen, "Were the Optimists Wrong on Free Trade?: A Canadian Perspective", Commentary, no. 37 (October), C.D. Howe Institute, Toronto.

³³ Expansion by firms within a market, especially fringe firms, is a form of "entry". It should be noted that these statistics are based on production location and not ownership, so that they provide only indirect evidence of market concentration. The results are probably significant, however, given that, between 1977 and 1989, the share of U.S. exports accounted for by intra-firm trade remained relatively unchanged. See Dennis Seebach, "Globalization: the Impact on the Trade and Investment Dynamic", EAITC, Policy Planning Staff Paper No. 93/7, June 1993, p. 30. The above evidence would also tend to temper fears that "U.S. firms frequently indicate that they are simply not interested in taking the time and trouble to sell products in Canada". See Paul S. Crampton, op cit, in Khemani and Stanbury, supra, note 4, p. 253.

³⁴ The IMF has sought evidence of rationalisation by examining the dispersion of employment growth within the manufacturing sector. It found the dispersion to be relatively high since 1990, indicating that there have been large inter-industry shifts within manufacturing. Using labour re-allocation measures over a three-year horizon, the IMF has also found some evidence that long-term net flows of labour may be occurring across broadly defined sectors of the economy. (IMF, "Labor Market Aspects of Industrial Restructuring in Canada", Selected Papers on the Canadian Economy, SM/93/45, March 2, 1993)

³⁵ The London Financial Times ("The View From Canada: Subtle Shift in Attitude", May 12, 1993, page 12) reports that "U.S. multinationals typically no longer view Canada as a "branch plant" country, but as part of their domestic operations. Instead of producing an item at two or more factories on each side of the border, companies such as Proctor and Gamble, Campbell Soup and Stanley Tools now supply both countries from a single plant."