

"export performance", and "limitations on distribution activities" has given Canada an opportunity to explain the operation of FIRA. These various issues indicate that the sensible and flexible application of FIRA's mandate and procedures must be considered in ensuring Canadian industry's long-term international competitiveness in a world of rapidly changing comparative advantage.

The other side of the foreign investment coin is equally significant. Trade used to follow the flag. Today, with the demise of the world of metropolitan dependencies, there are not many flags for trade to follow. The modern equivalent is investment. This is one of the developments which spurred the establishment of FIRA, as Canadians feared that much of this type of investment in Canada would not benefit Canadians. Investment has become an important catalyst and funnel for trade and Canadian exporters may not be actively pursuing opportunities to establish themselves abroad. The US market may be serviceable from Canada. The Latin American, European and Asian markets are not. If Canada is ever to hurdle the 2-3 percent barrier of penetration of the EC and Japanese markets, it will only come after Canadian companies have established themselves on the ground. It is the basis of US, Japanese, and German success. Establishment can be achieved in a number of ways including through joint ventures which merge complementary strengths, through offset arrangements, by using the strengths of the Canadian banks already established all over the world, and through aid. In all cases, corporate and governmental links are forged which eventually lead to increased penetration of foreign markets.

#### c) *Economic Development Policies: Promoting Competitive Industries*

While monetary, tax and investment policies provide the basic economic environment within which Canadians pursue their trading interests, a whole host of *regulatory* policies primarily responsive to domestic concerns, both economic and other, directly affect the competitive position of Canadian producers and manufacturers. The cost of regulation to the economy has been documented by the Economic Council, a Parliamentary Committee, and a Treasury Board Task Force including those involving competition, transportation and manpower policies, labour relations and environmental and safety regulations, over all of which the various levels of government have direct control. It is thus important that those regulations and policies that may significantly and unnecessarily impede achievement of productivity gains or otherwise adversely affect Canada's trade performance be reviewed regularly and kept to a minimum.

*Competition policy* has served to prevent or reduce artificial barriers to trade and commerce in the domestic economy and to protect the effective operation of the market. Canada's competition and trade policies are largely complementary and mutually reinforcing. The gradual reduction of tariff barriers and increasing international surveillance of non-tariff barriers in the post-war period and the integration of markets have stimulated domestic firms to become more efficient, specialized, innovative and internationally competitive. Because of the relatively small size of the Canadian market, competition law in Canada must accommodate the need for firms in many industries to grow large in order to attain the economies of scale necessary