

Labour legislation and labour market policy encompasses governmentally imposed changes in the operations of labour markets. The primary objectives of labour legislation and labour market policy are to alter labour market operations for the benefit of domestic labour, subject to minimal distortions to the efficient allocation of labour services. Labour market legislation and policy is very unlikely to have direct implications for Canada's permanent international trade patterns because excessive benefits enjoyed by domestic labour can be offset by subsequent choices of labour-saving production techniques. Nonetheless, labour market policies operate over a shorter time horizon in comparison to the time horizon necessary for selection and implementation of new production techniques. In the transition period before production techniques are adapted to the results of labour legislation or policies higher benefits for domestic labour can raise the price of tradeable goods and services produced domestically. Thus delayed adjustment can lead to transitory alterations in domestic patterns of exports and imports until the technique of production has adjusted.

Competition legislation and policy establishes the bounds of appropriate market strategies for buyers and sellers. The primary objective of competition legislation and policy is to improve allocative efficiencies of domestic markets. This objective is compatible with Canada's specialization in economic activity according to her comparative advantage. Nonetheless, implementation of competition policy can encounter difficulties because the primary objective of competition policy may conflict with the objectives motivating the implementation of other governmental legislation and policies. These conflicting objective can have transitory impacts on the structure of Canada's trade.