

in Canada. Anthony C. Masi has argued, for example, that a large measure of past success in the Canadian steel industry was due to informal arrangements between the Big Three steel producers (Stelco, Dofasco, and Algoma) and the federal government. In the 1950s, the three divided and allocated product markets, thus specializing to achieve scale economies. This was possible because the government was "flexible" in the application of anti-combines legislation.⁷⁵ Others have argued that this policy greatly reduced the risks associated with investments in the steel industry and increased the international performance of Canadian steel makers.⁷⁶

In 1988, the Canadian Bureau of Competition Policy analyzed the Dofasco takeover of Algoma and concluded that, even though Dofasco and Algoma were respectively the second and third largest steel producers in Canada, "the two companies have concentrated a large portion of their production in separate product markets". The extent of present and potential future foreign competition in the Canadian market for hot rolled sheet and strip steel, as well as efficiency benefits (capital expansion and operating savings) played a major role in the decision which was interpreted as another example of the "flexibility" of Canadian competition policy.⁷⁷

Khemani wrote in 1990 that "the possibility that inefficient plant size or insufficiently long production runs are endemic to Canadian industry cannot be ignored when administering competition policy."⁷⁸ In turn, this is seen to justify a particular sensitivity to efficiency gains in Canadian competition law as opposed to the traditional concerns over relative size or number of firms in an industry.⁷⁹ Indeed, Canadian policy makers responsible for industrial policy, along with those in other countries, have sometimes been attracted to the "national champion" theory whereby a dominant or a few dominant domestic firms create competitive advantage through economies of scale or scope or by capturing supra-competitive profits in the

⁷⁵ Anthony C. Masi, "Structural Adjustment and Technological Change in the Canadian Steel Industry, 1970-1986", in Daniel Drache and Meric Gertler eds., The New Era of Global Competition: State Policy and Market Power, Montreal and Kingston, McGill-Queen's University Press, 1991, p. 196.

⁷⁶ T.R. Howell, et al, Steel and the State, Boulder, Westview Press, 1988, p. 455.

⁷⁷ Anthony C. Masi, op cit, p. 205.

⁷⁸ R.S. Khemani, "Merger Policies in Small vs. Large Economies", in Khemani and Stanbury, supra, note 4, p. 208.

⁷⁹ Others have noted that such an approach may not be appropriate in a large economy, such as the U.S., "in which relevant technical efficiencies can be achieved at lower concentration levels. See Robert D. Anderson and S. Dev Khosla, Competition Policy as a Dimension of Industrial Policy: a Comparative Perspective, Policy Directorate, Bureau of Competition Policy, Consumer and Corporate Affairs Canada, June 1993, p 18.