

Our understanding of the impact of various government procurement regimes in our trading partners warrants more than a cursory examination. Government procurement has been, and will continue to be, used as a vehicle to promote technology creation and diffusion. With almost 90% of government procurement remaining outside trade disciplines, we will need to assess what types of subsidies to R&D are legitimate mechanisms for reducing market failure.

The current Multilateral Trade Negotiations (MTN) subsidies/countervail negotiating text defines a non-actionable category, to generally available subsidies, where assistance for research activities and regional development assistance would be non-countervailable if the provision for research assistance would not exceed 50% of basic research costs or 25% of the costs of applied research (with certain limitations as to eligible costs).⁹⁰ Signatories can also avail themselves of a regional development carve out provided "a general framework of regional development program" exists. Within the framework of a national regional development program, a subsidy deemed specific could be granted non-actionability status provided income or GDP per capita is not 85% of the average for the territory concerned, or the unemployment rate is 110% of the average for the territory concerned.

Since the formation of international technology alliances has become a part of the trade policy landscape, it is worth investigating the impact of these consortia on the domestic competitive environment. Do international technology consortia lead to increased competition or reduced competition domestically? How do they affect product markets? How do they affect factor markets such as the supply of skilled labour within Canada? Some studies suggest that they increase the supply of scientists and engineers to industry. However, as was previously noted, cooperation in international alliances may have the opposite affect, if skilled labour is lured away by large funding programs in other countries. Is the "brain-drain" effect greater than the domestic stimulus to skilled labour?

As has been already suggested, a professionally designed survey of the Canadian high-technology industry and various scientific research institutes and non-profit organizations could provide some valuable information for decision making. The research community would undoubtedly welcome the opportunity to contribute their insights.

⁹⁰ More generous subsidies would remain countervailable.