

EXECUTIVE SUMMARY

In a comparatively short period of time, strategic trade theory has become to economic theory what the "cold fusion" controversy is to science. Whether or not it represents a paradigm shift is debatable from a theoretical perspective but from a practical perspective free trade remains the optimal choice. What is perhaps more obvious is the increasing international network of corporate alliances, particularly those which involve some exchange of technical information, within the OECD and among the U.S., EC and Japan in particular.

It has become evident, over the course of researching this paper, that Canada has much to gain from seeking improved access to publicly supported technology consortia in other countries. As a relatively small, advanced economy which contributes modestly to the industrial world's technology, we can ill afford to pursue an isolated approach to technology acquisition. Increasingly, we are seeing the "visible" hand of government in technology creation activities, not just during the early stages of basic scientific research but also at the prototype and field testing stages of development. If our major trading partners continue to restrict access to their public R&D programs, Canadian firms will be disadvantaged.

In the United States, Canadian firms are prevented from joining publicly supported consortia by patent, national competitiveness and defense legislation, and may face an even greater variety of implicit barriers through government procurement regulations. It also remains to be tested whether recent amendments to the National Cooperative Research Act, which protects firms from punitive damages in an anti-trust suit, discriminate against Canadian members of U.S.-based consortia.

In Europe, Canadian-based firms have, for some time, faced barriers to joining Community supported R&D projects. Even those firms which have affiliates in Europe have encountered resistance to their membership in publicly supported consortia from competitors in other member states. The Fourth Framework Program for Research and Technological Cooperation (1994-98) will require that non-EC membership in Community R&D projects will only be permitted on the basis of a bilateral cooperation agreement. Without such an agreement, Canadian-based firms will not be able to participate in Community funded projects on a full partnership basis, with full rights to intellectual property.

In Japan, Canada has lobbied successfully to be included in the worldwide research programs sponsored by the Japanese government. With respect to government funding of R&D associations and other domestic consortia, the picture is less clear. Under the 1986 bilateral cooperation agreement, Canadian firms may