

under any circumstances, contribute to the development of technological expertise in other countries even if domestic industry benefits at the same time. It is also, in some sense, driven by social Darwinist fears that larger commercial groups in foreign countries may overpower domestic firms, taking the lion's share of the economic benefits of cooperative research. Thus, it is necessary for the government to protect domestic technology from predation. If restrictions are reciprocated in the major industrialized countries, then we can probably expect to see increased conflict over government subsidies in the not too distant future, particularly if the latest round of multilateral-trade negotiations remains unresolved.

Nonetheless, there is also a strong argument that Canada should seek improved access to foreign technology consortia because incentives to conduct R&D will be enhanced by improved access to foreign networks of market information and the stimulus of new approaches to R&D in other countries. This will entail ensuring that Canadian firms bringing their own expertise and funding can participate in foreign technology consortia from their base in Canada. It will also mean that they can do so without facing limitations on their ability to exploit the technology arising from these joint initiatives. It makes very little economic sense for governments to be setting the terms on which companies conduct their business operations.

Naturally, there will be some challenges in terms of assigning intellectual property rights. EAITC has already undertaken extensive interdepartmental consultations in this area to develop a Canadian negotiating position in preparation for its negotiations with the EC on a bilateral S&T cooperation agreement. Chapter 17 of the NAFTA will govern Canada/U.S./Mexican rights and responsibilities with respect to these matters.

It will also be necessary to ensure that access to markets for exports of advanced technology products is not impeded, since this would similarly reduce incentives to invest in R&D. Improved access to consortia located in one of the largest, most technologically advanced economies in the world (i.e., the U.S.) can only serve to increase the potential for Canadian firms to be more innovative. Without access to end product markets, however, they will be limited in their ability to obtain a sufficient return on their investment in R&D. This will require further multilateral trade liberalization overall. In many ways the access to end product markets is absolutely critical to creating the right incentives for R&D in Canada.

Furthermore, it will be necessary to seek greater disciplines on government procurement practices (even within North America) which inhibit the participation of Canadian firms in foreign consortia by favouring consortia that are exclusively comprised of domestic firms. For example, legislation aimed at enhancing national