

3. Non-Tariff Barriers to Advanced Technology Trade and Investment

3.1 Introduction

Sustaining long-term economic growth in advanced economies continues to depend on technological innovation.²⁰ As a result, there are increased efforts by industrialized countries to strengthen their technological competitiveness through incentives and related performance requirements. This has resulted in a variety of discriminatory non-tariff measures with significant trade-distorting effects, a situation calling for new policy and rule-making responses.

Recognizing that subsidies along with government procurement are significant factors in U.S. and European "strategic" trade policy, this section briefly outlines several Canadian policy concerns. In this regard, particular reference is paid to the NAFTA and the WTO Agreements on Subsidies and Countervailing Measures (SCM Agreement)²¹ and Government Procurement. Recommendations, found throughout the text, call for: 1) further limits on the use of subsidies, especially investment subsidies and locational incentives; 2) national treatment for Canadian companies that wish to participate in joint research projects - especially within the NAFTA free trade area; and 3) discipline on the use of public procurement contracts, reserved for domestic industry, that provide incentives for private sector R&D or other high technology investment in a particular jurisdiction. The specific recommendations are also listed in the Paper's Appendix.

The questions addressed in this section, analyzed in light of the above objectives, can be summarized under three broad headings:

Unilateralism: How do asymmetries of market access and the "conditional" application of national treatment entrenched by some of Canada's trading partners affect Canada's technology base and the industrial sectors which depend on it?

²⁰ For example, see Paul R. Krugman, *Technology and International Competition: a Historical Perspective*, in Martha Caldwell Harris and Gordon E. Moore, eds., *Linking Trade and Technology Policies* (1992), pp. 13-29.

²¹ *Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiation*, 15 April 1994, Agreement on Subsidies and Countervailing Measures, referred to here as the SCM Agreement.