

Ways to make companies invest more in R&D must be found. One way is through government R&D programs. Government assistance can either be in the form of full financing, a joint firm-government program or a research centre for the industry sponsored by the government. The form that financing will take is not as important as the actual research. Canada has been losing ground for 25 years. One of the keys is to have more R&D within the firms and less by government entities. There is a need to have better returns from what was done in the past. There are government programs designed to support R&D, such as the Technology Opportunities in Europe Program (TOEP) to access EUREKA, which provides assistance for joint-venture R&D with European firms. There are also R&D investment tax credits that contribute directly to the bottom line of firms carrying out or sponsoring qualified R&D.

#### **5.4 Strategies by Subsectors**

##### **a) Agricultural Machinery**

This subsector has been depressed for an extended period of time. Most farm-machinery manufacturers throughout the world continue to experience financial difficulties as they try to maintain market share and survive.

Remaining Canadian companies are mostly tracking with the United States. They remain technologically and cost competitive despite low capacity-utilization and limited financial resources. There are no large Canadian firms left in this subsector; however, there are good specialized companies. These companies, mostly found in the western provinces, are operating either with a specific type of equipment or with the equipment used by the majority of companies in a specific agricultural subsector. They export most of their production to the U.S.

The European industry is built on the same basis as the Canadian one. More

than 3000 small companies are trying to sell very specific products in a shrinking market. In fact, there are seven big multinationals in the world that are selling more than 60 per cent of all the agricultural products (in terms of value).

For a company that is not part of these seven firms, the best option is either to sell parts and products to those seven companies or to sell products to local users. It is very difficult to export large pieces of equipment because of export costs.

It would appear that very few Canadian companies would be able to take advantage of the changes occurring in Europe.

One must be careful in analysing the European market since Canadian-designed equipment is not always suited to the type of crops and agricultural practices that exist in Europe. On the other hand, as European firms are struggling as much as Canadian firms to survive, it would appear that joint ventures might be an interesting concept for farm equipment companies. In fact, we already have seen this approach taken between North American firms.

##### **b) Electrical Equipment: Electric Generators and Motors, and Engines and Turbines**

Sales of companies involved in this subsector are mainly made in Canada and the U.S. Exports of this equipment to the EC are minimal. Development in this subsector is highly influenced by national standards. Because of the European market segmentation that creates separate national standards, Canadian firms are not present in Europe.

Firms in this subsector seem, however, to be positively influenced by Europe 1992. In areas such as large custom-built electrical products (hydrogenerators, turbines, power transformers and switchgear), the main customer is the government. Member States have a policy of supporting local manufacturers.