R&D and employee training, or to transfer technology) that can, if used judiciously, encourage foreign investors to undertake research and development in Canada. The NAFTA, for example, preserves Canada's right to use these tools.

Market Access and R&D

Canadian resource industries must become much more innovation conscious. They are already export focussed. Although not as restrictive as in the apparel, footwear and agricultural sectors, tariffs and other traditional measures (including product standards) remain relatively high for semi- and fully manufactured resource-based products in several key markets, including Japan and the EC. The effective rate of tariff protection on higher value-added products can be several times more restrictive than nominal rates. The elimination of such barriers has long been a key Canadian trade objective. It has largely been achieved into the U.S. and now Mexico. But much work elsewhere remains. Better access abroad will contribute to creating more financially secure resource-based industries at home that should, consequently, be in a better position to invest in R&D. Elsewhere, improved market access abroad for commuter aircraft (e.g., liberalized government procurement practices) and telecommunications can reinforce and help to sustain our current strengths in these areas.

Opening our domestic market more fully to competition should oblige industry to restructure and to face more clearly the need to compete through further specialization and innovation. The steady elimination of the tariff where still a factor and the phase-out of non-tariff barriers can be structured to occur over time. Moreover, domestic production will continue to have access to relief in instances where injurious imports are being dumped or subsidized. Modernized competition policy can complement and perhaps, to an increasing degree, supplant such trade remedy tools to deal more effectively with predatory cross-border transactions. But clear domestic liberalization targets with firm time periods for achieving results must be actively sought through trade agreements if possible (in order to preserve negotiating leverage), but unilaterally whenever necessary to underpin the performance of higher value-added industries that require cost-effective inputs to remain competitive in domestic and export markets. Moreover, competition policy can assist by encouraging strong rivalry within domestic industries and markets that continue to enjoy protection from import competition and foreign direct investment. Strong rivalry enhances foreign technology transfer.[56]

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[56] D. McFetridge, "Foreign Investment, Technology and Economic Growth", in **Host Country Benefits of Foreign Investment**, Investment Canada publication (1991), pp.93-108: rivalry in the domestic market helps to enhance technology transfers into the host country. Both competition