

A recent working paper by the Business Council on National Issues advocates that Canadian firms build strategic alliances and participate in collaborative ventures focused on precompetitive technology research. The paper notes that R&D expenditures are on the rise in Canada and are predicted to grow at an average annual rate of 6% between 1994 and 1997.⁸⁶ However, their prescription for government is to restrict its role to that of establishing framework policies. They argue that government should avoid any attempt to pick winners or target "strategic" industries. In their words: "Governments' greatest contribution to building a more competitive economy is not through industrial policy. Far more important are sound macroeconomic and framework policies."⁸⁷

While it is true that many of Canada's small and medium sized companies are not necessarily represented by the views of the BCNI, the council does represent a number of Canada's major exporters. Comments received by those companies consulted for case histories supported the view that Canadian business wants less investment in large funding programs and cooperative infrastructures and more short term funds to reduce the risk factor in pursuing international collaboration which they themselves initiate. One firm, an environmental service firm, commented that the real value of government assistance for them was in sharing the risks in a market which is largely driven by government regulations, such that a change in regulations could wipe out their market and prevent them from recouping the costs of their R&D.

In terms of options, we can accept the de facto situation which limits participation in publicly funded consortia to domestically incorporated firms, or we can pursue improved access by negotiating rules for participation of Canadian-based firms in international consortia.⁸⁸ If we select the latter, it may be possible to contemplate establishing base criteria for participation in public consortia. For example, Canadian firms bringing their own expertise and funding would be able to participate in foreign technology consortia funded, at least in part, by other governments. This would require adapting similar Canadian programs to permit non-discriminatory participation by foreign-based companies bringing their own expertise and funding.

The first option (limiting participation to domestically incorporated firms) is widely advocated because it is supported by the view that public funds should enhance the competitive position of domestic industry and, therefore, should not,

⁸⁶ The Conference Board of Canada, R&D Outlook for 1993, cited in BCNI, "Building a New Century Economy", a working paper of the BCNI (March 1993), p. 32.

⁸⁷ Ibid, p. 43.

⁸⁸ Various options have already been considered in relation to the multilateral services negotiation.