

Under the present Patent Act, the Commissioner of Patents is required to grant compulsory licences to import pharmaceuticals. The main source for such imports has been Italy because, until recently, Italy did not grant protection for pharmaceuticals. Assume now that Canada introduces full protection for pharmaceuticals. Italy would be cut off as a source of inputs, but there is no guarantee That Italian production would be replaced by production in the U.S. or Canada. Rather, imports from Italy would likely be replaced by imports from Ireland, Israel and other countries which have very favourable tax regimes. Canadian trade with these countries would be affected rather than Canadian trade with the U.S. In terms of U.S. interests, however, U.S. head offices would receive increased payments from their subsidiaries located in Ireland, Israel, and other such countries.

The basic point is that the grant of new intellectual property rights in Canada will not necessarily change trade between the U.S. and Canada. Some of the technologies for which the U.S. is now seeking protection are indeed produced in the U.S. and imported into Canada (for example, semiconductor chips). This trade is, however, already taking place in the absence of protection. There is little reason to believe that the U.S., in general, would be significantly