

often negotiated under threat of unilateral sanctions, do not favour a particular country's products.

While not directly dealt with in this Paper, WTO monitoring should also be extended actively to review other government-induced, potentially discriminatory changes to private sector purchasing patterns - e.g., the U.S.-Japan bilateral agreement on semi-conductors of the late 1980s which was central to increased Japanese private sector purchases of U.S.-produced semi-conductors.

Recommendations Chapter 4

Recommendation 1. Performance Requirements: R&D and Technology Transfer

Technological "leap frogging" or acquiring an established business by competitors in order to catch up in certain technological areas has been a considerable drain on Canada's limited R&D expenditures. It is important for Canada to retain the ability to impose technology-related performance requirements in carefully selected circumstances involving the direct merger with or acquisition of a Canadian company by a foreign firm, as was done in the NAFTA. Technology transfer restrictions may occasionally be warranted when, for example, there is a foreign takeover of a firm already engaged in R&D activities, to ensure that the firm is not gutted of its R&D capacity, which is often funded directly or indirectly by Canadian taxpayers. This tool should not be used to force technology transfer into Canada, but rather to prevent the indiscriminate outflow of Canadian R&D capacity through the back door of a merger or acquisition where predatory intent is suspected.

Recommendation 2. Monitor Diversion of R&D from Canada

Although Canadian taxpayers pay for the majority of university research, private corporations, including MNEs, often end up owning the patents and discoveries. While the United States has taken steps to stop any transfer to foreign countries of IP that results from Federal funds, Canada should resist the temptation. Instead, Canada should push for national treatment as per the NAFTA. More research needs to be done to verify the extent to which the U.S.'s strategy on IPRs actually discourages the amount of R&D done in Canada.