

Recommendation 2. Increased disciplines on "conditional" government subsidies (i.e., those that promote exclusionary R&D consortia)

More ambitiously, Canada could seek the agreement of other countries to extend subsidy-based performance requirement prohibitions within the NAFTA and, pursuant to the current negotiations in the OECD, seek to establish a Multilateral Agreement on Investment (MAI) that limits even further undisciplined practices such as a government's ability to make subsidies conditional on R&D being carried out solely within the territory of the granting government. It will be difficult to convince any single government to agree to such a change, due to concerns about not benefitting from positive spill-overs generated by R&D occurring in its territory. But the combination of budgetary pressures and the possibility that other governments might concur could create the basis for a reciprocal arrangement for those countries prepared to accept this new approach.

● **Canada-EU S&T Agreement: A Model for S&T Cooperation?**

Like the U.S. and the Japanese, the European Union has done much to develop "strategic technologies." As in the U.S. and Japan, Canadian firms have also found it difficult to become members in EU-supported consortia, particularly those whose members include competitors.⁵⁸ Normally, participants from non-European nations, including those with affiliates in Europe, are permitted only if their country has a technology access treaty with the EU.

The European Commission delivers the European Union's R&D programs through a number of complementary R&D Framework Programmes (FPs). Established in 1984, these FPs seek through coordinated research "to combat the diminishing competitiveness in Europe's high-tech industries, the lack of investment in industrial research and the inability of firms to translate S&T excellence into commercial success."⁵⁹ One of the benefits of these programs has been to create a pan European

⁵⁸ Notwithstanding the existence of a bilateral science and technology cooperation agreement since 1986, and the availability of financial assistance from the Japan Science and Technology Fund, Canada's success rate in Japan is considered "abysmal". See Caldwell, *Technology Consortia*, p. 3.

⁵⁹ *National S&T Governance Profiles, Resource Book for Science and Technology Consultations, Volume II.* Secretariat for Science and Technology Review, Industry Canada (August 1994), p. 74.