tion of the more competitive segments of the consumer-goods industries through marketing and appropriate market access initiatives. As well, there may exist opportunities for industrial cooperation and rationalization along North American lines.

Advanced-technology manufacturers in sectors such as urban transportation, aircraft and electronics, have become strong performers in the economy and important contributors to a more balanced regional structure in Canada. They are internationally competitive and heavily export-oriented (e.g., 75 percent for urban transportation, 85 percent for aircraft and avionics and 54 percent for electronics), although relatively small in employment terms. Very specialized lines of production for international markets have been developed, based partly on technology imported from abroad and adapted within Canada and also on significant indigenous R&D components. While international competition is fierce, there is room for further Canadian achievement. The capacity of these industries to sustain further growth will require continued access to the latest technologies, continued government support for R&D and marketing activities and improved and secure access to major markets, including the markets of developing countries. Access problems in developed markets relate particularly to restrictive government procurement practices and to concessional government export financing, both of which are subject to active multilateral consideration. Foreign tariffs remain a barrier, although of a generally modest level; tariffs on aircraft and related products were largely removed as part of the Tokyo Round, but there remains room to expand the coverage of the Aircraft Agreement. There is scope for exploring the possibility of further sectoral free-trade agreements that would also deal with the practices of MNEs and concessional export financing.

A major development in the Canadian industrial and trade structure in the last fifteen years has been in the *machinery and equipment* sector. Since 1965 this large industry has become substantially internationalized, with the percentage of domestic production going to exports jumping from 20 to 50, and with the percentage of domestic requirements being filled by imports rising from 54 to 65 percent. This substantial industrial restructuring reflects a considerable degree of specialization and rationalization as well as a growing capacity to meet the technological requirements of export markets, particularly in the USA. These developments have been strongly encouraged by various government policies and programmes, such as the Machinery Program, and support for industrial R&D enabling more world-product mandating. These efforts should be continued and complemented by seeking effective international rules to liberalize restrictive foreign procurement practices and a greater harmonization of the procurement practices of the federal and provincial governments within Canada. It will also be important to actively support the development of international discipline to contain the subsidization of export financing.

The prospects for capital equipment producers to compete on a fair and full competitive basis for both domestic and foreign *major projects*, present significant challenges for the industry. The modernization of the Canadian import regime and a strengthened capacity to deal with injurious subsidized or dumped imports, particularly due to foreign concessional export financing, should improve the general competitive environment for this sector. In respect of export opportunities, particularly in developing countries, the capacity of Canadian industries to respond will be signifi-