

and overseas markets for our goods and services. These trends are intensifying, not only for Canada, but for many industrialized countries including the United States. While Canada has been graced with a comparative advantage in natural resources, continued access to foreign technology is imperative for the current and future competitiveness of many Canadian industries.

New technology often comes from smaller Canadian firms without the capacity to exploit fully their own innovations. A growing number of firms, however, are turning to international cooperation as a way to get more results from R&D funding. Strategic alliances have accelerated technology transfer and internationalized component sourcing and have placed new challenges on the trade policy agenda. Innovation seems to call for larger firms, as they are best equipped to take advantage of the resulting economies of scale. Nonetheless, in some sectors like telecommunications, new technologies have permitted smaller Canadian firms to supply a new range of services without incurring high costs.

The structure of Canadian technology policy results from a multitude of loosely coordinated federal and provincial players, with a certain penchant in the past for "scientific research for the sake of science" - an overstatement, perhaps, but one that does usefully highlight the lack of adequate linkages between much research traditionally done in this country, the private sector and market trends. Until recently, there was, proportionally, minimal government assistance for industrial technology adoption. Increasingly, however, government investment in R&D will be more closely measured for its economic impact as the Government moves to capture more broadly the returns of publicly funded research for the Canadian economy.

- **The International Context**

Early in 1981, William Brock, the then U.S. Trade Representative, proposed that the next round of GATT negotiations target trade in high technology industries as a priority area. However, when the Uruguay Round was launched in September 1986, the U.S. had changed tack and dropped its proposal to identify trade in high technology as a "specific negotiating objective." At the same time, changes in U.S. policy resulted in attempts to restrict the transfer of and access to publicly funded research through controls on foreign access to research consortia. Much of this Paper focuses on the United States as most of our advanced technology exports are destined for the U.S. and that country is by far the major source of technology transfer into Canada. Moreover, U.S. technology policy tends to dominate multilateral agenda setting in this area.