

businesses because they often constitute niche markets for SMEs. As well, foreign perceptions of Canada's S&T capabilities also affect the flow of investments from abroad. The government and its private-sector partners will address this twofold challenge by promoting S&T at home and abroad in all appropriate forums.

Encouraging International Research and Development

The government will continue to provide international arrangements that facilitate the participation of Canadian private- and public-sector institutions in international R&D programs. An example is the Canada-European Community Agreement for Scientific and Technological Co-operation. This agreement facilitates the participation of Canadian firms, universities and research institutes in European R&D consortia established under the European Union Framework Program on Research and Technological Development.

Trade Policy Priorities

In the area of trade policy, the federal government has identified the following main priorities:

Managing the Canada-U.S. Economic Relationship

Canada's economic relationship with the United States remains the most complex and substantial among any two countries in the world. Almost 80 percent of Canadian exports are destined for the United States. At the same time, the United States accounts for 65 percent of FDI in Canada. As such, management of the Canada-U.S. relationship must remain Canada's overriding priority.

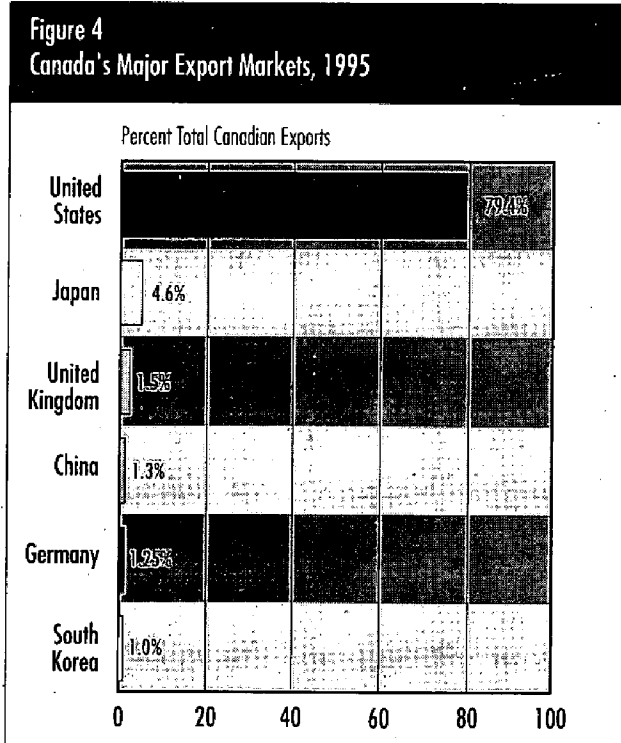
While the overall bilateral relationship has been extremely positive, careful management is required to ensure that Canadian interests are defended. Government will continue to seek the timely resolution of various issues that currently strain bilateral relations.

Canada attaches a high priority to finding solutions that reduce the possibility of disputes with the United States concerning the issues of subsidies, dumping and the operation of trade-remedy laws regarding such practices, and strives, through advocacy and coalition-building, to create a positive climate for change. In addition, the government seeks to expand access to the U.S. government procurement market and broaden

opportunities for Canadian financial services firms, as well as collaborating with industry to develop and strengthen technology partnerships between public- and private-sector organizations and businesses.

Establishing an Effective World Trade Organization

The World Trade Organization is the centrepiece of the global trade regime resulting from the Uruguay round of multilateral trade negotiations. One of its main objectives is to provide a stable, transparent, rules-based international trading climate — essential for a trading country like Canada.



Source: Statistics Canada

The government's most important multilateral trade policy objective will be to work toward the full and effective implementation of the WTO agreements. In this regard, Canada will continue to support the WTO as the rules-based institution capable of overseeing the operation of the multilateral trading system and of conducting multilateral negotiations. Ensuring the integrity and effectiveness of the WTO dispute-settlement mechanism will also remain a high priority.

Canada also strongly supports the expansion of WTO membership, on terms that will secure improved, more predictable market access for Canadian suppliers of goods and services, as well as adherence by acceding countries to WTO rules. Negotiations continue with economies such as China, Taiwan, Ukraine, Russia and Saudi Arabia.

Other WTO priorities include:

- monitoring the implementation of the Uruguay Round agreements and, where possible, encouraging accelerated implementation of obligations;
- pursuing the ambitious agenda of negotiations already under way in such areas as basic telecommunications, financial services, information technology, government procurement, and trade and the environment, and building consensus toward a launch of negotiations in other important areas (e.g. tariffs, agriculture and subsidies);
- working to restrict the growing scope of protectionist domestic practices that effectively undermine hard-won market access gains. In this regard, continuing objectives include seeking to have the new issues of trade and investment and trade and competition policy examined, and working toward new ways of reducing the barriers caused by the proliferation of differing product standards. With respect to trade and environment, Canada supports work to ensure that rules in these different areas are compatible and consistent with the goal of further trade liberalization;
- developing greater coherence in global economic policy making (i.e. trade, monetary policy, finance) through enhanced co-operation among the WTO, the International Monetary Fund (IMF) and the World Bank; and
- improving the integration of developing countries into the global trading system, including promoting technical assistance as a means to facilitate and improve awareness of WTO rules and obligations.

Improving International Rules Governing Foreign Direct Investment and Anti-competitive Behaviour

Canada will continue to pursue a "multi-track" strategy to improve international rules governing FDI and anti-competitive practices. This strategy rests on:

- negotiating a new generation of bilateral Foreign Investment Protection Agreements (FIPAs) with developing countries and economies in transition. A FIPA is a bilateral reciprocal agreement designed to protect and promote foreign investment. Prior to 1994, Canada signed a number of FIPAs based on an old model. Since then, an improved model has been developed that incorporates new obligations consistent with the NAFTA and other international agreements. Nine such agreements have been signed, and agreement has been reached with three other countries. Moreover, negotiations are under way with 24 other countries including China, Indonesia and India;
- concluding the negotiations within the Organization for Economic Co-operation and Development (OECD) to achieve a multilateral agreement on investment. In May 1995, Canada supported the decision of OECD ministers to launch negotiations for an investment agreement with respect to access, protection and dispute settlement among all OECD countries. A number of new issues not currently covered by any existing agreement (e.g. technological protectionism, extra-territoriality) will be on the table. Negotiations are expected to conclude by June 1997;
- encouraging greater vigilance through international agreements regarding possible anti-competitive actions of large multinational firms;
- extending OECD and Asia-Pacific Economic Cooperation (APEC) forum guidelines on international technology co-operation to ensure open and transparent rules for national S&T support programs consistent with principles such as national treatment; and
- reaffirming WTO dispute-settlement provisions for the governance of trade relations by avoiding trade and investment measures that contradict WTO rules.