

In addition to the short-fall against inflation of over 4 per cent, post-secondary institutions also expect to have a 3 per cent increase in enrolment this year, with projections for continued real growth.

There is increasing concern that Canada's primary and secondary education systems are also under-performing relative to those of competing countries, with the possible exception of the United States. The Prime Minister had indicated that the issue of a national educational strategy was to be discussed at the most recent First Ministers' meeting. However, the continuing difficulties over the Meech Lake Accord prevented this item from receiving full consideration.

#### 4.1.3 Research and Development:

Canada's comparatively low rate of expenditure on research and development is common knowledge. Canada consistently ranks last or next to last among OECD countries in rankings of proportion of GDP devoted to R&D, and barely approaches half the rate in the United States, Japan or West Germany. In money terms, Canadian industrial R&D spending was only \$3.8 billion compared to \$107 billion in the United States in 1986.

Most commentators and industry analysts agree that increased R&D spending is required if Canada is to prosper during this period of structural adjustment. This also requires improved co-operation among the principal sources of R&D investment: business, academe, and government<sup>102</sup>.

Recent Canadian tax reforms have meant a less generous tax treatment for R&D expenditures, reducing the allowable write-off by about 20 per cent. The Conference Board has targeted this as a factor contributing to reduced R&D expenditures by industry. The Advisory Council on Adjustment took note of this and recommended that the government monitor the impact of the tax treatment of R&D activity, with a view to providing increased incentives when appropriate.

There is much dispute over which sector -- business or government -- has been failing to carry its weight. This focuses on several issues, particularly spending differences between domestic and foreign firms<sup>103</sup>, and whether expenditures have kept pace with commitments. There is, however, almost universal agreement that total R&D spending in Canada is not keeping pace with that of other countries and that new initiatives are required by all sectors.

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<sup>102</sup> The private sector provides about 53% of total R&D spending in Canada; other shares are: universities and colleges 23%; federal government 16.5%; provincial governments 3%; non-profit groups 1.5%.

<sup>103</sup> MCFETRIDGE, D.G., 1989. Les entreprises multinationales et la libéralisation des échanges, Ottawa: Economic Council of Canada.