

Appendix I

Recommendations Chapter 3

Recommendation 1. The provision of national treatment, particularly within the NAFTA area, for Canadian firms in U.S. technology programmes

Discriminatory access to technology consortia strengthens the role of U.S.-owned, U.S.-based firms in conducting R&D and post research manufacture. As the distinction between foreign and domestic becomes increasingly blurred within North America, particularly in the field of advanced technology, the lack of full national treatment, especially for Canadian firms willing to commit their own money and expertise becomes increasingly unjustifiable. At the least, provisions that discriminate against Canadian-owned, U.S.-based firms should be avoided, as should territorial restrictions placed on post research manufacture. This approach would require non-discriminatory access to Canadian government-sponsored programmes for U.S.-controlled firms based in Canada.

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, to establish a Multilateral Agreement on Investment (MAI) that limit 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.

Recommendation 3. Negotiate a bilateral S&T Access Agreement with the United States

Canada could seek to negotiate explicit and enhanced access to publicly supported R&D programs such as the ATP through a separate bilateral Canada-U.S. S&T Access Agreement. Moreover, the Government of Canada should seek to eliminate or reduce the U.S.-based manufacturing requirement for Cooperative Research and Development Assistance (CRADA) projects. In the interim, there is a