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The Conservative government wraps virtually everything it does these days in the magic cloak of “jobs and growth.”

Trade deals, infrastructure spending, business subsidies and tax breaks for families and small businesses. Everything on the economic front gets the familiar J-and-G spin – even if there’s scant evidence these efforts generate much of either.

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And yet in one vital area where governments really can make a difference – innovation –

Canada is falling behind global leaders in R&D

Written by Joan Russow

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Ottawa's commitment has been inconsistent and its investments wanting.

A new report on science and technology policy from the Organization for Economic Co-operation and Development paints a grim picture of Canada's place in the world. Canada has tumbled out of the top 10 research and development (R&D) spenders since the Great Recession, steadily ceding ground to more aggressive nations on a host of innovation measures.

Canada now ranks 12th in overall spending, according to the report, released last week. It invested less in R&D in 2012 (\$21.8-billion U.S.) than it did in 2004 (\$22.7-billion). Four countries that Canada handily outspent a decade ago – Russia, India, Taiwan and Brazil – have all jumped ahead.

Taiwan, which spent half of what Canada did in 2002, now tops this country by nearly \$3-billion a year.

Canada's R&D "intensity" – spending as a percentage of gross domestic product – is equally worrying. The rate has been on a steady decline for more than a decade and now stands at 1.69 per cent of GDP, well below the OECD average of 2.4 per cent. In 2012, 20 other countries outspent Canada relative to the size of their economies.

The R&D intensity leader is South Korea, a country with which Canada is now bound in a free-trade agreement, creating new competitive pressures for Canadian businesses.

Most remarkable is the ascent of China, which the OECD says is now on a course to become the world's biggest R&D spender by 2019, outpacing even the current No. 1 spender, the United States.

Canada is the only developed country with an intellectual property deficit – meaning we spend more to acquire other peoples' technology than the world buys from us.

And most disappointingly, the private sector continues to underinvest, in spite of repeated

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warnings about the consequences. Business spending on R&D stands at 0.88 per cent of GDP, near the bottom among OECD countries.

Given all this, the federal government might be expected to be angst-ridden, and grasping for remedies.

But there's no obvious sense of urgency. The last time Ottawa drafted a science and technology strategy was in 2007. At the time, Prime Minister Stephen Harper vowed to make Canada "a world leader in science and technology and a key source of entrepreneurial innovation and creativity."

The government promised to deliver an updated innovation strategy more than a year ago, following months of consultations. Two ministers of state for science and technology later, and the government has yet to produce anything. The current minister, former insurance broker Ed Holder, is promising something "soon."

But expectations are low that the Conservatives will do anything ambitious, or costly, given the government's determination to eliminate the budget deficit next year, while simultaneously delivering targeted tax breaks.

Short of a radical rethink and significant amounts of cash, it's not clear what will fix the problem. The government has already tinkered with many of the key levers at its disposal, to little effect. It has put more money into direct R&D grants for smaller companies, invested \$400-million (Canadian) in various venture capital funds, refocused the mission of the National Research Council on commercialization, and tightened the rules of its flagship R&D tax credit – the \$1.5-billion Scientific Research and Experimental Development program. Ottawa also pledged \$1.5-billion over a decade to universities, by way of the Canada First Research Excellence Fund.

But these efforts fall short of what many other countries are doing, condemning Canada to falling even farther behind in the global science and technology race.

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Innovation policy is complicated, and expensive. And it can't be neatly wrapped in election slogans.

Until the government shows it's serious about fixing the problem, Ottawa's jobs-and-growth mantra will be just that – an empty slogan.

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