

Creating Digital Opportunity: MNEs, Enclaves and Innovation Agencies

Two primary *comparative* questions

1. To what extent is the attraction of foreign investment available to continue policy orientation for Canadian policymakers seeking to spur the digital economy?
2. How does the structure of innovation agencies such as IRAP (Industrial Research Assistance Program) shape technology development in target industries?

Is this kind of intervention sufficient for the digital economy in Canada?

Foreign Investment

Major finding - “Enclave” behavior among ICT MNCs operating:

- Across capacity local levels (low – CR; medium – Mexico; high – GTA)
- In both manufacturing (CR & Mex) and ICT services (Mexico and GTA)
 - Networks of supply and technology transfer are sticky

Recommendations - Policymakers should account for this normal dynamic:

- Do not assume seamless spillovers of technology and ideas
- Take active steps to push MNCs into forging local networks
 - More carefully consider incentives to attract MNCs

Innovation Agencies

Major finding

- Structure of IAs shapes the kinds of innovation they are effective at promoting
 - IRAP - a “productivity facilitator” type agency - is effective, but unlikely to ever spur radical innovation in digital industries (or others)

Recommendations

- Digital industrial policy mix should include a more “autonomous” agency
 - Less closely embedded in and responsive to existing private industry
 - More likely to spur radical – not incremental - innovations