In the field of research and development, the Canadian enterprise with foreign affiliation usually has easy access to the fruits of extensive and costly research and development facilities which it could not support by itself. Similarly, there is access on very favourable terms to a broad range of technical and business services. While these facilities provide clear and substantial economic benefits to Canada, it also means that less of this kind of economic activity is carried on in Canada. The Canadian enterprise is often a stripped-down version of the parent without the more sophisticated appendages. This entails both an economic and a cultural loss. Enterprises which themselves do not engage in extensive research and development activities are not likely to be world leaders. Nor are they likely to be adequately staffed to absorb and apply the technological and scientific advances emerging elsewhere in the world. Speaking plainly, they remain satellites in areas of industrial activity which often are the driving force of the growth process.

Turning to purchasing policy, connection with a strong parent often yields a strong advantage by virtue of ready access to materials, components and machinery of a higher quality and at better prices than would be available to a Canadian enterprise operating on its own. At the same time, it also means that there is a tendency to follow the parent in procurement decisions, which tends to overlook the availability of goods and services in Canada. Where this occurs, the adverse economic impact on Canada's industrial development is obvious.

In the field of marketing, the foreign connection often provides an assured outlet for the subsidiary's production which places it in a much more secure position than an independent Canadian company. This is especially true for enterprises producing industrial raw materials and semi-processed goods. There are other cases where the reverse situation is found to exist; explicit or tacit restraints are imposed on the export activities of the subsidiary, which limit its freedom to search for markets. (We must be careful here to avoid confusing the effects of artificial export restraints and the consequences of commercial policies which have created in Canada a large number of foreign-controlled manufacturing enterprises which duplicate on a smaller scale, and at consequently higher costs, the output of the parent company abroad. This is the typical situation for many manufacturing enterprises in Canada, and their failure to achieve significant exports to the United States or other markets has little to do with company policy.)

In the matter of plant location, expansion and product diversification, findings are also rather mixed. Cases occur where installations to process raw materials in Canada are held up because the parent company already has substantial investments at home. There are other cases where product lines are introduced to Canada prematurely in fields already over-crowded by too many small-scale enterprises. We also find instances, however, where Canadian-controlled companies with subsidiaries abroad decide in favour of locating a major installation abroad because they happen to own a suitable idle plant or because they are concerned about changes in commercial policy which could later impede their terms of access. While we cannot provide positive proof, there is evidence to suggest that, on a strictly financial accounting, it would have been more profitable to locate the facility in Canada.