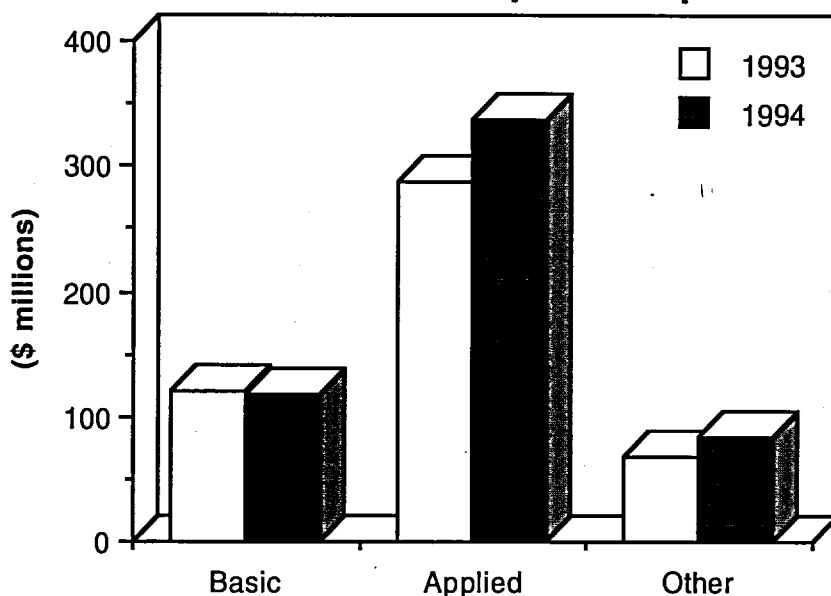


Current Research and Development Expenditures



Source: Patented Medicine Prices Review Board Annual Report, 1994

Applied research in the Canadian pharmaceutical industry comprises clinical and preclinical trials. This emphasis on applied research is not surprising, since the Canadian healthcare system provides a strong infrastructure to undertake clinical trials.

Canada recently amended its patent legislation, which covers intellectual property protection, to equal that in other industrialized countries. In return, the brand-name pharmaceutical companies made a commitment to more than double the percentage of sales that they invested in R&D, from less than five per cent in 1986 to 10 per cent in 1996. This level was attained four years ahead of schedule, and continues to rise. Annual R&D investment in Canada by pharmaceutical companies exceeded \$500 million in 1994 - a threefold increase in just six years.

The principal reason for this development is that Canada provides an excellent environment for R&D.