flavourings, stabilizers, packaging, labelling, and those aspects of the final preparation of the drugs.

At the present time, almost no active ingredient manufacturing takes place in Canada. Both the patent holding and the generic companies import their active ingredients. Then they do some of their final stage manufacturing in Canada. That holds true for both the generics and the patent drugs. I think that we have to understand that.

A few small countries have developed active ingredient manufacturing industries to serve world markets for generic drugs. Generic companies in Canada have the right to apply for compulsory licences to manufacture the active ingredients. This right has existed since 1923. But they do not very often do so because the Canadian market is too small to make such an operation viable.

The failure of the 1923 policy to create drug price competition in 1969 led to the creation of compulsory licences to import because we did not have domestic production. We know that often a single factory in one particular country meets a company's world-wide markets. Usually these factories are located in the multinational's home country, or in some place like Ireland or Puerto Rico that offer particularly generous tax breaks, and sometimes tariff-free access to major markets. So there are these structural reasons in the industry itself.

While we cannot expect a big change as a result of the legislation that we have before us, these are conditions that we have known about for some time.

Despite all of this, the federal Government claims that the Bill before us will stimulate both generic and multinational firms to make the active ingredients in Canada. This claim rests on the provisions of the Bill that generic companies will still be able to acquire compulsory licences to manufacture generic active ingredients in Canada, although subject to qualification. Patent holding companies can avoid this type of generic competition if they notify the Commissioner of Patents that they intend to make the patented active ingredient in Canada completely or substantially to meet Canadian demand. If they do notify the Commissioner, they must begin manufacturing within two years, or risk losing their market exclusivity.

It is not at all clear to me why generic companies would manufacture more active ingredients in Canada under this Bill than they did between 1923, when they could have done so, and up until 1969, when the patent legislation was changed. Why are we bringing in a provision that has already been tried for more than 40 years, and it did not result in domestic manufacturing of the active ingredients? We can have no optimism that that will change now.

With regard to the final product manufacturing, there is every reason to expect that multinational companies will invest in plant expansions in Canada within the next few years, regardless of whether or not this Bill before us today is passed. These are the trends. There is an increase in the demand for drugs. There is a change in the demographics. There are more elderly people with health care concerns and people needing drugs. We would otherwise have expected to see this type of expansion, with no thanks to this legislation whatsoever. Yet there is no confidence that the legislation will bring about the change in the manufacturing of the active ingredients themselves.

The Government has made many claims that this legislation will improve research and development in Canada. We must look at those claims. I am sure our Party would be very partial to legislation that would improve research and development in Canada. Unfortunately, when we examine more closely what the Bill says, this result will not happen either. Canada has very little basic research. This was true in the pharmaceutical industry in the period prior to 1969 as well as since. We have no reason to believe that the same pharmaceutical companies that were not doing research and development before 1969, when there was no generic drug legislation, would suddenly do it now.

In 1983, only about 15 per cent of research and development expenditures by pharmaceutical firms were for basic research. That is considerably less than 1 per cent of the value of those firms' sales in Canada. That is a pretty shameful record indeed. It is pretty typical of countries whose pharmaceutical industries are dominated by the subsidiaries of multinationals.

The levels of drug research and development in Canada are similar to those of some other small countries which do not have independent non-multinationals or their own pharmaceutical industries.

Most pharmaceutical research in Canada involves clinical testing of a drug's safety and effectiveness. That is simply to meet requirements of our own health and drug legislation. It is not basic research. It is simply to meet the requirements of the Food and Drugs Act.

Despite these well-known facts, the federal Government claims that its draft Bill contains "strong new incentives" for research. I would like to quote what the Government has stated:

> Drugs invented and manufactured in Canada will receive full 17-year patent monopolies.
>
> If the Government is not satisfied with the industry's research investments by 1990, it may remove some or all of the exclusivity granted under the Act.

The federal Government claims that the new policy will turn Canada into "a world-class centre for the research, development, and manufacture of pharmaceuticals".

Unfortunately, these very fine hopes entirely ignore the conclusions of the federal commission of inquiry that Canada is not well placed to become a major world centre for pharmaceutical research, or for the production of active chemical ingredients for the very reasons that I have just related. We have these multinational companies, and it is not their practice to do research and development, or indeed to manufacture the active ingredients in smaller countries. In the case of research and development, they do it in their home country. They do the manufacturing under very specific conditions.