

A sizeable number of replies did indicate that the companies concerned were developing their own products and processes, with or without the help of their parents, and that this type of activity was expected to increase in the future as the volume of domestic business grows. Several firms stated that their parent had asked them to undertake specific research programmes at the parent's expense. Several respondents said that they had been allocated specific areas of research and were responsible for all the company's activities in these sectors.

Generally speaking, the replies on this point indicate a growing involvement by foreign-owned subsidiaries in research and development activity. A large number of respondents reported that they had firm plans, or were considering action, to initiate or enlarge research and development operations in Canada in the future.

The level of research in Canada, judged by any yardstick, is not as high as that of the United States or the United Kingdom, for example. As the recent report of the Science Council stated: "Research and development expenditures in Canada, expressed in terms of gross national product, were about one-third those in the United States and one-half those in the United Kingdom". Improvement is being made and some subsidiaries are doing really good work. But this is an area in which more parent companies could appropriately delegate research projects and programmes to their Canadian subsidiaries with mutual benefits.

Most of the other objectives set out in the "Guiding Principles" have met with widespread acceptance. The main exceptions relate to the points suggesting provision for equity participation by the Canadian public and periodic publication of information on company operations. Most of the subsidiaries to whom I wrote are wholly foreign-owned, and for these companies compliance with the equity principles would involve a change from existing company organization.

As regards the principle proposing "to have the objective of a financial structure which provides opportunity for equity participation in the Canadian enterprise by the Canadian public," of the 750 companies commenting on this specific principle, 85 per cent raised objections of one kind or another. Some of the smaller companies pointed to their limited size as the overriding consideration, making a public offering impractical. A large number of companies indicated that, because of limited profitability or the need to retain earnings for growth purposes, they had seldom, if ever, paid a dividend and, as a consequence, a public offering of equity would be neither feasible for themselves nor attractive to the Canadian public. Wholly-owned subsidiaries of foreign public companies are prone to argue that equity participation in their organization can be achieved through the purchase of shares in the parent company, and that these shares provide a more secure investment than would a separate offering of the Canadian company. Another point advanced is that a public offering of stock can give rise to basic conflicts of interest between minority shareholders and parent companies, with adverse effects upon the company's performance. I personally do not attach great weight to this argument but, for these and other reasons, most of the companies in the wholly foreign-owned category seem to feel that this particular principle relating to equity participation by the public should not have universal application.