

export field for the first time. About 60 companies volunteered information indicating an anticipated growth in export sales in 1967 and future years, whereas relatively few companies foresaw any decline.

While the response on this point has been encouraging, there is a continuing need for new and additional efforts to achieve the degree of participation in foreign markets necessary to take advantage of the opportunities before us.

Another of the "Guiding Principles" of particular importance to the growth and financial strength of the economy urges Canadian subsidiaries "to search out and develop economic sources of supply in Canada". Nearly all of the 440 companies reporting specifically on this guide-line indicate general conformity and leave the impression of a widespread and purposeful effort towards domestic sourcing. Many companies report substantial and progressive increases in Canadian content over the course of their development. This trend has been reinforced in recent years by improved domestic availability of secondary manufactured products and equipment.

The need for continued emphasis toward the development of economic sources of supply in Canada, both on the part of foreign-owned companies and business at large, is exemplified by the latest trade figures. For the first six months of 1967, compared with the same period last year, the healthy 17 percent advance achieved in exports has been closely followed by a more than 14 percent increase in imports.

As I have indicated on other occasions (but it bears repeating), this trend in our trade balance is not acceptable on a continuing basis. If Canada is to meet her growing obligations in the form of debt-servicing charge, aid to less-developed countries and the like, and at the same time move closer to overall external balance, our merchandise exports must expand at a significantly faster pace than imports. Basically, this calls for improved performance in foreign and domestic markets alike.

As regards research and development, companies were urged in yet another of the guide-lines "to develop technological research and design capability as an integral part of the Canadian operation". Of the 326 companies commenting on this objective, 230 reported conformity, whereas 96 indicated that they did not have such facilities.

Most of this latter group of companies explained that they were too small to carry on effective research or that, in the particular circumstances relating to their organization, it was simply not economic to decentralize this type of activity.

Other replies relating to this objective lead to the conclusion that, although there is not much pure or basic research being carried on in Canada at present by foreign-owned companies, a great deal is being done by way of product development, modification and adjustment to meet the specialized needs of the Canadian market. In a number of cases the "Canadianized" product had found markets overseas, and frequently the improvements and modifications made by the Canadian subsidiary have been incorporated in the parent's own products.