

packages. Lower net government financings as a result of an improved fiscal position combined with tax reform would greatly benefit capital markets. This could both enhance the availability of venture capital for new entrepreneurial initiatives and strengthen the financial base of Canadian industry.

Generally, capital would become more efficiently allocated. Industry would not expect subsidies and tax incentives to undertake even the most basic activities, choosing instead to make decisions on market factors involving risk-return trade-offs. Regions will evolve towards producing what they can make most efficiently and at least-cost. This would typically result in longer production runs and lower per unit prices. Labour would share in the gains from higher productivity and consumers would benefit from lower prices which in turn, would likely augment total domestic demand for goods and services. Inter-regional trade could increase and provide for new opportunities in distribution and the services sectors. Small and medium size businesses would benefit as more market niches are observed and the potential economies from serving those niches are greater. Recently, it has been the service sector and small business which have provided new employment opportunities and income growth. This trend would likely continue.

By shifting away from business reliance on government grants and subsidies, potential retaliation by Canada's international trading partners would be mitigated. Presently, affected goods, such as softwood lumber, agricultural products, fish and natural gas would be given more unimpeded access to U.S. markets. Indirectly, by facilitating trade negotiations, a broader spectrum of Canadian goods and services would be given access to foreign markets. A renewed domestic industrial competitiveness would not only provide for increased export opportunities, but also promote vigorous competition with foreign firms within Canadian markets. One should note that Canadian business will be facing a multi-fold increase in market opportunities relative to a marginal enhancement for U.S. counterparts. Therefore, there exists both a greater incentive and more flexibility for Canadian business to apply the most up-to-date technology which in turn,